

AN ORDINANCE

2010-12-09-1043

DESIGNATING THE PETCO REINVESTMENT ZONE LOCATED AT 654 RICHLAND HILLS DRIVE BOUNDED BY INGRAM ROAD TO THE NORTH AND WEST, MIDHURST AVENUE TO THE EAST, RICHLAND HILLS DRIVE TO THE SOUTH, BUT LIMITED TO AN APPROXIMATE 12.053 ACRE TRACT OF LAND IN NEW CITY BLOCK 15329, IN THE CITY OF SAN ANTONIO, BEXAR COUNTY, TEXAS.

* * * * *

WHEREAS, PETCO Animal Supplies, Inc. ("PETCO") is headquartered in San Diego, CA and is the second-largest U.S. retailer of specialty pet supplies, operating more than 1,000 stores in all 50 states and the District of Columbia, making it the only pet store to cover the entire U.S. market; and

WHEREAS, on November 22, 2010, PETCO announced it had selected San Antonio over 47 other communities as the site of a new satellite support center which is being created as an extension of the company's San Diego headquarters and will be called its *National Support Center* (the "Center"); and

WHEREAS, the Center project in San Antonio will include an investment of approximately \$5 million in capital improvements to an existing facility which will house 400 PETCO associates in functions including accounting, human resources, internal audit, loss prevention, risk management, and ethics and compliance; and

WHEREAS, these 400 new jobs will have an annual average wage of approximately \$58,000.00 with at least 10% of the jobs paying \$80,000.00 or more, many of which will be corporate-level positions with decision-making authority over major company functions; and

WHEREAS, before the City can enter into a Tax Abatement Agreement with Petco at 654 Richland Hills Drive, the City must designate the area as a "Reinvestment Zone"; and

WHEREAS, Petco has requested that the property location be designated as a Reinvestment Zone by the City pursuant to the Property Redevelopment and Tax Abatement Act of 1987, as amended (the "Act"); and

WHEREAS, the location of the property is eligible to be a Reinvestment Zone; and

WHEREAS, in accordance with the requirements set out in the Act, notice of the requisite public hearing regarding the proposed designation of the Petco Reinvestment Zone was previously published; and

WHEREAS, on December 9, 2010, the City held a public hearing in the Council Chambers at 114 W. Commerce to consider this Ordinance designating the Petco Reinvestment Zone, and permitted testimony from individuals for or against the designation; and

WHEREAS, the City Council also finds that it is in the best interest of the City of San Antonio to designate the subject area a Reinvestment Zone to induce desired and beneficial economic development in the area; **NOW THEREFORE:**


BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. The City Council designates the PETCO Reinvestment Zone located at 654 Richland Hills Drive, in Westover Hills; bounded by Ingram Road to the north and west, Midhurst Avenue to the east, Richland Hills Drive to the south, but limited to an approximate 12.053 acre tract of land in New City Block 15329, in the City of San Antonio, Bexar County, Texas.

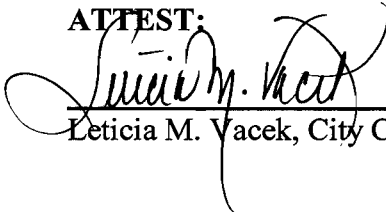
SECTION 2. The City Council finds that the Petco Reinvestment Zone meets the requirements designated under the Property Redevelopment and Tax Abatement Act of 1987, and as amended, in part because it is in an area that is reasonably likely, as a result of the designation, to contribute to the retention or expansion of primary employment or to attract major investment in the area that would be a benefit to the property and that would contribute to the economic development of the City.

SECTION 3. This Ordinance shall be effective immediately upon the receipt of at least eight (8) affirmative votes. If less than eight (8) affirmative votes are received, then this Ordinance shall be effective on the tenth (10th) day after passage.

PASSED AND APPROVED this 9th day of December, 2010.



M A Y O R
Julián Castro

ATTEST:



Leticia M. Vacek, City Clerk

APPROVED AS TO FORM:

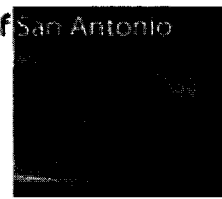


Michael D. Bernard, City Attorney



Request for
**COUNCIL
ACTION**

City of San Antonio



Agenda Voting Results - 38A

Name:	6, 7, 8, 10, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 23A, 23B, 25, 27A, 27B, 29, 30, 31, 34, 35, 36, 37, 38A, 38B, 39A, 39B, 39C, 40A, 40B, 41, 42						
Date:	12/09/2010						
Time:	10:12:31 AM						
Vote Type:	Motion to Approve						
Description:	An Ordinance designating the PETCO Reinvestment Zone located at 654 Richland Hills Drive in District 6.						
Result:	Passed						
Voter	Group	Not Present	Yea	Nay	Abstain	Motion	Second
Julián Castro	Mayor		x				
Mary Alice P. Cisneros	District 1		x				
Ivy R. Taylor	District 2		x				
Jennifer V. Ramos	District 3		x				
Philip A. Cortez	District 4		x				
David Medina Jr.	District 5		x				
Ray Lopez	District 6	x					
Justin Rodriguez	District 7		x				
W. Reed Williams	District 8		x				x
Elisa Chan	District 9		x				
John G. Clamp	District 10		x			x	

AN ORDINANCE **2010-12-09-1044**

APPROVING A 10-YEAR, 100% REAL AND PERSONAL PROPERTY IMPROVEMENT TAX ABATEMENT AND \$650,000.00 GRANT AGREEMENT WITH PETCO ANIMAL SUPPLIES, INC.; APPROVING \$100,000.00 IN TRAINING CREDITS WITH ALAMO COLLEGES OVER TWO YEARS FOR PETCO; ACCEPTING A DONATION FROM PETCO FOR THE BENEFIT OF THE CITY'S SPAY AND NEUTER PROGRAM; AND APPROVING EXCEPTIONS TO THE TAX ABATEMENT GUIDELINES.

* * * * *

WHEREAS, Petco Animal Supplies, Inc. ("PETCO") is headquartered in San Diego, CA and is the second-largest U.S. retailer of specialty pet supplies, operating more than 1,000 stores in all 50 states and the District of Columbia, making it the only pet store to cover the entire U.S. market; and

WHEREAS, on November 22, 2010, PETCO announced it had selected San Antonio over 47 other communities as the site of a new satellite support center which is being created as an extension of the company's San Diego headquarters and will be called the *National Support Center* (the "Center"); and

WHEREAS, the Center in San Antonio will house 400 PETCO associates in functions including accounting, human resources, internal audit, loss prevention, risk management, and ethics and compliance; and

WHEREAS, these 400 new jobs will have an annual average wage of approximately \$58,000.00 with at least 10% of the jobs paying \$80,000.00 or more, many of which are corporate-level positions with decision-making authority over major company functions; and

WHEREAS, the City and its economic development partners at Bexar County and the State collaborated to prepare a coordinated and competitive incentive package to attract this project to San Antonio; and

WHEREAS, the City offered a tax abatement and economic development grant, as well as job training credits, to PETCO as an inducement to locate the Center within the City; (the "Project") and

WHEREAS, the initial grant payment of \$250,000.00 will be disbursed after issuance of a Certificate of Occupancy for the PETCO property and the remaining grant funds are contingent upon PETCO making a contribution toward the City's spay and neuter program; and

WHEREAS, PETCO's Project is located in an area that qualifies, pursuant to the City's Tax Abatement Guidelines (the "Guidelines"), for a 6-year, 50% tax abatement with a minimum

investment of \$10 million and the creation of at least 100 new jobs, thus necessitating approval of an exception to the Guidelines; and

WHEREAS, City staff is recommending this exception, based on PETCO's agreement to pay at least 10% of its 400 employees at least \$80,000.00 per year, with an average annual salary of \$57,762.00 to all other employees with benefits; and

WHEREAS, all jobs associated with the Project will also exceed the minimum wage standards requiring all new employees to earn the "living wage" of \$10.60/hour, and after one year, 70% of all employees must earn at least \$12.76/ hour; and

WHEREAS, the Project property has been designated the Petco Reinvestment Zone pursuant to Chapter 312 of the Property Redevelopment and Tax Abatement Act of 1987, as amended;
NOW THEREFORE:

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. City Council approves a Tax Abatement and Grant Agreement with Petco Animal Supplies, Inc. ("PETCO") for a 10-year, 100% tax abatement for approximately \$5 million in real and personal property improvements and a \$650,000.00 economic development grant, a signed copy of which is included as Attachment I.

SECTION 2. City Council approves exceptions to the Tax Abatement Guidelines for PETCO's job creation, investment level, location and period of abatement for the Agreement approved in Section 1.

SECTION 3. City Council approves \$100,000.00 in training credits with Alamo Colleges over two years for PETCO, administered through the ACCD (Alamo Colleges) Interlocal Agreement.

SECTION 4. City Council also accepts a donation of up to \$400,000.00, payable in annual installments over four (4) years, from PETCO for the benefit of the City's spay and neuter program.

SECTION 5. Funding in the amount of \$650,000.00 for this Ordinance is available in Fund 29059000, Cost Center 1604010001, General Ledger 5201040, as part of the Fiscal Year 2011 Budget.

SECTION 6. Payment not to exceed the budgeted amount is authorized to PETCO Animal Supplies, Inc. and should be encumbered with a purchase order.


SECTION 7. Funds generated by this Ordinance will be deposited into Fund 29636000, Internal Order 237000000064 and General Ledger 4502220.

SECTION 8. The financial allocations in this Ordinance are subject to approval by the Chief Financial Officer (CFO), City of San Antonio. The CFO may, subject to concurrence by the City Manager or the City Manager's designee, correct allocations to specific Cost Centers, WBS

Elements, Internal Orders, General Ledger Accounts, and Fund Numbers as necessary to carry out the purpose of this Ordinance.

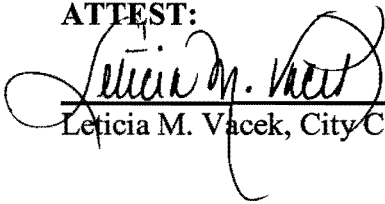
SECTION 9. This Ordinance shall be effective immediately upon the receipt of at least eight (8) affirmative votes. If less than eight (8) affirmative votes are received, then this Ordinance shall be effective on the tenth (10th) day after passage.

PASSED AND APPROVED this 9th day of December, 2010.



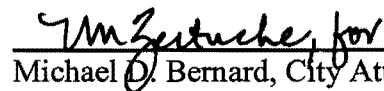
M A Y O R
Julián Castro

ATTEST:



Leticia M. Vacek, City Clerk

APPROVED AS TO FORM:



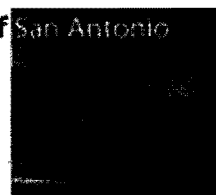
Michael D. Bernard, City Attorney



Request for

COUNCIL ACTION

City of San Antonio



Agenda Voting Results - 38B

Name:	6, 7, 8, 10, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 23A, 23B, 25, 27A, 27B, 29, 30, 31, 34, 35, 36, 37, 38A, 38B, 39A, 39B, 39C, 40A, 40B, 41, 42						
Date:	12/09/2010						
Time:	10:12:31 AM						
Vote Type:	Motion to Approve						
Description:	An Ordinance approving a 10-year, 100% Tax Abatement and \$650,000.00 Grant Agreement with PETCO Animal Supplies, Inc.; approving \$100,000.00 in training credits with Alamo Colleges over two years for PETCO; and accepting a donation from PETCO for the benefit of the City's spay and neuter program.						
Result:	Passed						
Voter	Group	Not Present	Yea	Nay	Abstain	Motion	Second
Julián Castro	Mayor		x				
Mary Alice P. Cisneros	District 1		x				
Ivy R. Taylor	District 2		x				
Jennifer V. Ramos	District 3		x				
Philip A. Cortez	District 4		x				
David Medina Jr.	District 5		x				
Ray Lopez	District 6	x					
Justin Rodriguez	District 7		x				
W. Reed Williams	District 8		x				x
Elisa Chan	District 9		x				
John G. Clamp	District 10		x			x	

ATTACHMENT I

**TAX ABATEMENT AND GRANT AGREEMENT
BETWEEN PETCO ANIMAL SUPPLIES, INC.
AND THE CITY OF SAN ANTONIO**

1. PARTIES

THIS AGREEMENT (the "Agreement") is entered into on this _____ day of _____ 2010, by and between PETCO ANIMAL SUPPLIES, INC., a Delaware corporation, (hereinafter referred to as "PETCO"), as real property and personal property owner, and the CITY OF SAN ANTONIO, a municipal corporation, (hereinafter referred to as the "CITY"), acting by and through its City Manager.

2. AUTHORIZATION AND FINDINGS

A. This Agreement is entered into pursuant to the following authorities:

1. The Texas Property Redevelopment and Tax Abatement Act of 1987, V.A.T.S. Tax Code, Chapter 312, as amended; and

2. CITY COUNCIL RESOLUTION No. 89-07-12, dated the 15th day of February 1989, and most recently revised by ORDINANCE NO. 2010-06-24-0635 on June 24, 2010, together which established the Joint City/County Tax Abatement Guidelines, (hereinafter referred to as the "Guidelines"); and

3. CITY COUNCIL ORDINANCE NO. 2010-_____, dated _____, 2010, which designated the PETCO Reinvestment Zone (the "Zone"); and

4. CITY COUNCIL ORDINANCE NO. 2010-_____, dated _____, 2010, which specifically approved this Agreement and authorized execution hereof; and

5. Pursuant to Chapter 380 of the Texas Local Government Code, the CITY is authorized to grant and loan municipal funds in furtherance of public purposes for economic development projects; and

6. The CITY adopted an Economic Development Program as required by Chapter 380.002 of the Local Government Code (the "Economic Development Program"), in order to be able to provide loans and other specified incentives for eligible economic development projects, by Ordinance No. 97248 on February 27, 2003; and

7. As set forth in Ordinance No. 99308, passed and approved on June 3, 2004, the CITY's Economic Development Program was modified to permit grants in accordance with the CITY's Economic Development Incentive Fund ("EDIF") Guidelines, which were most recently amended by Ordinance No. 2008-11-20-1050; and

8. On April 14, 2005, CITY's governing body further modified the Economic Development Program to expand the eligibility of projects with regard to grants; and

9. PETCO submitted an application to the CITY for a grant from the EDIF for the purpose of relocating four hundred (400) existing jobs in its current operations for an economic development project (the "Project") specified by PETCO; and

10. The attraction of PETCO, as a business, bringing a large number of employees to San Antonio with good wages is an important economic development purpose of the CITY; and

11. CITY will provide a cash grant in the amount of two hundred fifty thousand dollars (\$250,000.00) from the EDIF to be used to carry out the Project; and

12. CITY will also provide an additional cash grant of four hundred thousand dollars (\$400,000.00) from the EDIF payable in annual installments contingent upon the receipt of annual installment contributions from PETCO or the PETCO Foundation in the amount of one hundred thousand dollars (\$100,000.00) over four (4) years for the benefit of CITY's Animal Care Services Department's spay-neuter program ("PETCO Contributions"); and

13. CITY will also provide one hundred thousand dollars (\$100,000.00) in customized training credits over two (2) years from CITY's Settlement Agreement with Alamo Colleges, administered through its Interlocal Agreement.

B. The City Council, by its approval of this Agreement, hereby finds that the terms of this Agreement, and the property subject to it, generally meet the Tax Abatement Guidelines, EDIF Guidelines and Economic Development Program criteria as adopted by the City Council and has approved exceptions to the Tax Abatement Guidelines regarding the percentage of abatement for Real Property Improvements and tangible Personal Property Improvements, as well as the length of abatement period based on the project location and an exception to the EDIF Guidelines regarding the amount of the grant based on investment. The City Council further finds that (a) the approval of this Agreement will not have any substantial long-term adverse effect on the provision of CITY services or the CITY'S tax base; and (b) the planned use of the Property (defined below) inside the Zone by PETCO for the uses contemplated herein will not constitute a hazard to public safety, health or morals.

3. PROPERTY, JOBS, INVESTMENT AND BUSINESS ACTIVITIES

A. The taxable real property which is the subject of the Zone of this Agreement is located at 654 Richland Hills Drive in San Antonio, Bexar County, Texas on approximately 12.053 acres of land which are recorded in the Deed and Plat Records of Bexar County, Texas at the time of execution of this Agreement and said parcel being more particularly described in Exhibit "A", attached hereto and incorporated herein.

With a total investment of approximately five million dollars (\$5,000,000.00), PETCO shall cause to be constructed new Real Property Improvements and tangible Personal Property Improvements (collectively, the "Improvements," as further defined in Article 3, Paragraph D, unless otherwise stated) in an approximately one hundred fourteen thousand (114,000) square-foot facility to house a minimum of four hundred (400) non-temporary, full-time positions, with the Improvements completed by December 31, 2012, which PETCO shall own, hold an interest in or otherwise control (the "Facility"). PETCO shall relocate and maintain a minimum of an existing four hundred (400) non-temporary, full-time employment positions according to the following schedule: Year 1 (January 1, 2011 to December 31, 2011) – one hundred fifty (150) additional; Year 2 (January 1, 2012 to December 31, 2012) – one hundred fifty (150) additional; Year 3 (January 1, 2013 to December 31, 2013) –one hundred (100) additional; for a cumulative total of four hundred (400) relocated and maintained non-temporary, full-time employment positions by December 31, 2013. These positions shall consist of finance, procurement, human resources, supply chain and customer service positions. PETCO shall invest approximately three million five hundred thousand dollars (\$3,500,000.00) in Real Property Improvements and approximately one million five hundred thousand dollars (\$1,500,000.00) in tangible Personal Property Improvements for a combined total of approximately five million dollars in Improvements (\$5,000,000.00) by December 31, 2012. PETCO shall conduct, in the Facility, normal business activities including, but not limited to, those activities consisting of finance, procurement, human resources, supply chain and customer service, as well as provide services and accommodations for PETCO's employees (hereinafter collectively referred to as the "Business Activities") or the normal Business Activities of a Related Organization (defined in Article 5, Paragraph I) so long as such Business Activities include the normal Business Activities of a professional shared services facility or similar activity. PETCO shall be entitled to a grant from the CITY's Economic Development Incentive Fund and ad valorem tax abatements authorized herein for Real Property Improvements and tangible Personal Property Improvements above the Base Year Value and Base Value (as defined in Article 6, Paragraph A) if PETCO or an approved Related Organization undertakes and maintains Business Activities and employment positions in accordance with the terms of this Agreement in the Zone. PETCO understands and agrees that there shall be no abatement of taxes for the land, inventory or supplies.

B. PETCO shall establish an "Improvements Only" tax account for Improvements with the Bexar County Appraisal District regarding the Property and provide these tax account numbers to the CITY.

C. A copy of the Ordinance authorizing this Agreement shall be filed/recorded with the Bexar County Property Records by the City of San Antonio; PETCO shall be responsible for the payment of fees associated with this recording, obtained from PETCO's application fee.

D. The following terms shall be defined as follows, unless otherwise stated:

1. "Improvements" for purposes of this Agreement shall have the meaning assigned by Texas Tax Code Section 1.04(3) and shall mean modifications and Improvements to the Real Property made at any time after the execution of this Agreement and any tangible

Personal Property acquired by PETCO and located at the Facility after the execution of this Agreement.

2. "Personal Property" for purposes of this Agreement shall have the meaning assigned by Texas Tax Code Section 1.04(4) and (5), and shall include, but not be limited to, equipment, furniture, and fixtures.
3. "Real Property" for purposes of this Agreement shall mean the parcel of land on which the Facility is to be located, and shall include any other Improvements on the land that were in existence prior to the execution of this Agreement. A metes and bounds description of the Real Property is attached as Exhibit "A" and is incorporated herein for all purposes.

4. **PETCO'S REPRESENTATIONS**

A. PETCO represents that it has no knowledge that any interest in the Property is presently owned, held or leased by a member of the San Antonio City Council, Zoning Commission, Planning Commission, the CITY's International and Economic Development Department, or any other CITY officer or employee. PETCO further represents that it shall not knowingly sell, lease or otherwise convey such an interest to a member of the San Antonio City Council, the Zoning Commission, the Planning Commission, the CITY's International and Economic Development Department or any other CITY officer or employee, as long as this Agreement remains in effect. PETCO also represents that it, its employees and officials are in compliance with the CITY's Ethics Code.

B. PETCO represents that there is no litigation currently pending against PETCO for any violations under the Occupational Safety and Health Act.

5. **TERMS OF THE AGREEMENT**

A. Obligations of PETCO. For PETCO to receive and retain the grant funds and abatement of assessed ad valorem taxes as authorized herein, PETCO shall: (1) own, hold an interest in or otherwise control the Facility and Improvements and shall invest approximately five million dollars (\$5,000,000.00) in Real and tangible Personal Property Improvements by December 31, 2012 for the Facility described in Article 3, Paragraph A; (2) occupy and use the Facility for its Business Activities throughout the Grant and Tax Abatement Term and Recapture Period (as defined in Article 6) of this Agreement; (3) relocate and maintain the full-time, non-temporary employment positions described in Article 3, Paragraph A; (4) pay the wages and salaries described in Article 5, Paragraph B to its employees at the Facility location; (5) at PETCO's option, pay or cause to be paid a contribution of four hundred thousand dollars (\$400,000.00) to CITY, payable in annual installments of one hundred thousand dollars (\$100,000.00) over four (4) consecutive years, unless sooner paid, beginning no later than January 1, 2012 for the benefit of CITY's Animal Care Services Department's spay-neuter program; and (7) otherwise comply with all applicable terms of this Agreement.

B. Wage and Salary Requirements. PETCO covenants and agrees that it shall comply with the wage standard policy specified in the City of San Antonio's Tax Abatement Guidelines, attached hereto as Exhibit "B" and incorporated herein for all purposes, at the time the City Council authorized execution of this Agreement. PETCO understands and agrees that the minimum cash wage for all employees is ten dollars and sixty cents (\$10.60) per hour and after one year, the hourly earnings for seventy percent (70%) of the positions is not less than twelve dollars and seventy six cents (\$12.76) per hour as of the time City Council authorized execution of this Agreement. PETCO also agrees that it shall: (1) pay a minimum of ten percent (10%) of its employees housed at the Facility an annual wage of no less than eighty thousand dollars (\$80,000.00); and (2) maintain a minimum average annual salary fifty-seven thousand six hundred seventy-two dollars (\$57,672.00) for all of its employees housed at the Facility.

C. Full-Time Position. For the purposes of this Agreement, a full-time position shall be equivalent to PETCO associates who are scheduled to work two thousand and eighty (2080) hours per year. The foregoing notwithstanding, the Parties agree that the actual hours worked may vary due to personal time, whether paid or unpaid, taken by each employee.

D. Employee Benefits. PETCO covenants and agrees that it shall offer all of its non-temporary full-time employees at the Facility the opportunity to elect to receive substantially similar employee benefits as those employee benefits offered to similarly situated employees of PETCO's, as those benefits are currently described in Exhibit "C", attached hereto and incorporated herein, and as they may be modified from time to time corporate-wide. PETCO covenants and agrees that, during each year of the Term of this Agreement, it will continue to offer all of its full-time employees at the Facility the opportunity to elect to receive an employee benefits package that is substantially similar to either: (a) the benefits package described in Exhibit "C"; or (b) those employee benefits offered to similarly situated PETCO non-temporary full-time employees generally. PETCO further covenants and agrees that during the Term of this Agreement all of its full-time employees at the Facility shall be offered the option to elect to participate in a health plan which provides coverage for their eligible dependents, on terms substantially similar to the coverage provided to the eligible dependents generally of PETCO's non-temporary, full-time employees. Employees may be required to pay all or a portion of the cost of certain benefits.

E. Compliance with Employment Regulation. PETCO covenants and agrees that it shall comply with all applicable federal and state laws governing the employment relationship between employers and employees in all material respects. A non-exclusive list of such laws is attached hereto as Exhibit "D" and incorporated herein.

F. Compliance with Business Activities Regulation. PETCO also covenants and agrees that it shall conduct its Business Activities (as defined in Article 3, Paragraph A) at the Facility in accordance with all applicable federal, state and local laws in all material respects.

G. Compliance with Construction Regulation. PETCO shall construct any improvements made to the Facility in accordance with all applicable federal, state and local laws including, but

not limited to, Texas Commission on Environmental Quality regulations, Bexar County and City of San Antonio laws, Building Codes and ordinances, Historic Preservation and Urban Design ordinances, flood, subdivision, building, electrical, plumbing, fire and life safety codes and regulations, current and as amended in all material respects.

H. Improvements Completion. PETCO shall substantially complete Improvements by December 31, 2012 and shall house PETCO's Business Activities (as defined in Article 3, Paragraph A) at the Facility in the Reinvestment Zone in which PETCO is located. PETCO shall be entitled to such additional time to complete said Improvements as may be required due to any "Force Majeure" event, contingent upon PETCO diligently pursuing said completion of Improvements. For purposes of this Section 5(H): (i) "Force Majeure" shall be as defined in Article 8 below; and (ii) the CITY shall have the final determination, to be exercised reasonably and in good faith, whether to grant an extension of time for said completion for reasons of Force Majeure and the length of such extension, if granted. PETCO shall notify the CITY of the completion of the Improvements by sending notice to the address listed in Article 9 (Notice) within one (1) month of completion.

I. Authorized Business Activities. Except as provided herein, PETCO covenants and agrees that it shall use the Property at the Facility only to conduct its Business Activities (as defined in Article 3, Paragraph A). Without additional consent or approval required by the City Council, but conditioned upon administrative consent and approval by, and subject to prior notice provided to, CITY's Director of International and Economic Development: (i) a parent, subsidiary or affiliate organization of PETCO or new entity created as a result of a merger, or other corporate restructure or reorganization of PETCO, or any component thereof (hereinafter "Related Organization"); or subject to City Council approval, duly evidenced by ordinance: (ii) an entity which acquires the Facility and Improvements and then contracts with PETCO to provide substantially the same services as previously provided by PETCO for the Facility (an "Assignee") may occupy and use the Improvements and the Facility for such Related Organization's or Assignee's normal business activities, so long as such business activities are those of a professional shared services facility, or similar or comparable to the Business Activities of PETCO at the Facility. To be eligible for the abatement of ad valorem taxes as provided in this Agreement, such Related Organization or Assignee shall comply with all applicable terms of this Agreement. Except as authorized above, PETCO covenants and agrees not to change the principal use of the Improvements and Facility without prior approval by the City Council, as evidenced in a duly approved ordinance.

J. Maintenance Obligations. PETCO covenants and agrees that it shall maintain the Property and the Facility in good repair and condition during the Grant and Tax Abatement Term and Recapture Period of this Agreement. Compliance with the maintenance obligations imposed herein shall be presumed if PETCO follows its reasonable, normal and customary maintenance and repair procedures and schedules.

K. Inspections by the City. Upon five (5) business days prior notice to PETCO by the CITY, PETCO covenants and agrees that it shall allow designated representatives of the CITY access to the Facility during normal business hours for inspection to determine if the terms and

conditions of this Agreement are being met. (This inspection is independent of CITY'S police powers to inspect for purposes of assuring compliance with applicable City Codes and Ordinances). The CITY's access to PETCO's books and records will be limited to information needed to verify that PETCO is complying with the terms of this Agreement, has been conducting agreed Business Activities and appropriate maintenance and/or repair at the Facility. Any information that is not required by law to be made public shall be kept confidential by CITY. Should any good faith dispute or question arise as to the validity of the data provided, the CITY reserves the right to require PETCO to obtain an independent firm to verify and/or audit the information. This certified statement by an independent firm shall be provided at the sole cost of PETCO. For inspection purposes, CITY representatives may be accompanied by PETCO representatives and said inspection shall be conducted so that the inspection shall: (a) not unreasonably interfere with the operation of the Facility; and (b) comply with PETCO's reasonable security requirements.

L. Disclosure to Bexar County Appraisal District. During the Grant and Tax Abatement Term and Recapture Period of this Agreement, PETCO covenants and agrees to furnish, as applicable, by April 30th of each year, the Chief Appraiser of Bexar County Appraisal District with information outlined in Chapter 22, V.A.T.S. Tax Code, as amended, as may be necessary for the tax abatement and for appraisal purposes.

M. Disclosure to CITY. PETCO covenants and agrees that it shall provide, within thirty (30) days after June 30 and December 31 of each year, the CITY's Director of the International and Economic Development Department with a semi-annual certification from an officer of PETCO attesting to the number of employment positions created and maintained, as well as wages paid, by PETCO at the Facility as of such dates. PETCO shall also submit this information to the CITY upon request, as deemed necessary at the reasonable discretion of the CITY, during the Grant and Tax Abatement Term and Recapture Period of this Agreement. The information provided shall be on the forms set forth in, or substantially similar to the forms set forth in, Exhibit "E" (attached hereto and incorporated herein), as amended.

N. Local Employment Requirement. The CITY may require that PETCO provide to CITY the residence city of new employees. If at least twenty-five percent (25%) of the new employees do not reside within the city limits of CITY or within the county limits of Bexar County, then CITY may, at its option, terminate this Agreement.

O. Notification Requirement Regarding Sale, Transfer or Sub-lease of Facility or Property Improvements. PETCO covenants and agrees to notify CITY in writing at least thirty (30) days prior to any reorganization, sale (whole or partial), transfer or sub-lease of the Facility, Improvements or Corporate organization of PETCO during the Grant and Tax Abatement Term or Recapture Period of this Agreement. PETCO shall request Assignment of this Agreement to any Related Organization, new purchaser, transferee or sub-lessor of the Facility, Improvements or Corporate organization of PETCO (the "Assignee"). CITY shall not unreasonably withhold, condition or delay approval of any requests for Assignment of this Agreement by PETCO, subject to the provisions of Article 11 of this Agreement, and PETCO covenants and agrees that

it shall provide actual notice in writing to any Assignee to which the provisions of this Article 5, Paragraph O apply that Assignee shall be bound by all terms of this Agreement.

P. Notification Requirement Regarding Relocation or Cessation of Business Activities. PETCO covenants and agrees that it shall notify CITY in writing at least thirty (30) days prior to Relocating or Ceasing its Business Activities (as defined in Article 7, Paragraphs B and C).

Q. Penalty for Default/Termination. If, during the Grant and Tax Abatement Term or Recapture Period of this Agreement, PETCO fails to comply with any of the terms of this Agreement for a period of three (3) or more consecutive months, then the termination and recapture provisions of Article 7, Paragraphs E, F and I of this Agreement shall apply against PETCO.

R. Other Actions Resulting in Default/Termination. If, during the Grant and Tax Abatement Term or Recapture Period of this Agreement, and after the Cure Period (defined in Article 7, Paragraph F), PETCO allows its ad valorem taxes due on the land, real and/or personal property or inventory and supplies related to the Facility to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or contest, or is in default with any loan which has been made by the San Antonio Development Agency, City of San Antonio Industrial Development Authority or any other CITY-sponsored loan/grant/bond program or with any other CITY agreements, then the termination and recapture provisions of Article 7, Paragraphs F and I of this Agreement shall apply.

6. TAX ABATEMENT AND GRANT

A. Term. The periods for abatement of ad valorem taxes assessed for the Improvements, and for the Economic Development Grant (the "Grant"), respectively, shall be as follows:

1. Tax Abatement. Ad valorem taxes assessed for Improvements will be abated for a period of ten (10) years beginning on January 1, 2012_ (the "*Tax Abatement Term*"). The **Base Year** for calculating the value of the Real Property Improvements shall be 2011.

2. Grant. The Grant term shall begin on the date of receipt of a certificate of occupancy for the Facility, for a period of approximately four (4) years, but shall end no later than December 31, 2015 (the "*Grant Term*").

3. Recapture Period. Immediately following the Tax Abatement Term and Grant Term, a period shall follow, known as the "*Recapture Period*" during which the CITY may recapture Grant funds and previously-abated ad valorem taxes assessed for Improvements in the event of default of Agreement terms by PETCO.

The Tax Abatement Term and the Grant Term are collectively the "*Grant and Tax Abatement Term*". The "*Base Year Value*" of the Real Property shall be the assessed value (determined by the Bexar County Appraisal District), of the Real Property as of the Base Year determined in accordance with Article 6, Section A, Paragraphs 1 above. The "*Base Value*" of tangible

Personal Property (determined by the Bexar County Appraisal District) shall be the assessed value of any Personal Property located at the Facility site prior to the execution date of this Agreement.

B. Conditions Precedent. At the commencement of the Grant and Tax Abatement Term, PETCO shall own, have an interest in or otherwise control the Property and shall conduct its Business Activities at the Facility. Contingent upon compliance with the terms of this Agreement, a Tax Abatement shall be granted in each year of the Tax Abatement Term, as described in Article 6, Paragraph C below. An Economic Development Grant shall be provided as described in Article 6, Paragraph G below.

C. Additional Conditions and Tax Abatement Percentage. Provided that PETCO has invested approximately five million dollars (\$5,000,000.00) in Real and tangible Personal Property Improvements at the Facility by December 31, 2012; PETCO has satisfied, and continues to satisfy, Article 5, Paragraphs A and B of this Agreement; PETCO uses the Facility for its Business Activities; and PETCO is otherwise in compliance with the terms and conditions of this Agreement, then one hundred percent (100%) of the ad valorem taxes for the Real Property Improvements and tangible Personal Property Improvements, above the Base Year Value and Base Value, respectively, shall be abated during the Tax Abatement Term. There shall be no abatement of ad valorem taxes for land, inventory or supplies.

D. Pre-Term Taxes. PETCO shall pay, or cause to be paid, to the CITY all ad valorem taxes for existing real property, personal property and inventory and supplies assessed, if any and as applicable, by the CITY on the Property prior to the commencement of the Term.

E. Base Year Taxation. PETCO understands and agrees that the Base Year Value of the Real Property and Base Value of the Personal Property and the tax levy based on said Values of the Property in the Zone shall not decrease, but taxes may increase and that the amount of taxes paid by PETCO to the CITY attributable to the Property during the Term shall not be less than the amount of taxes attributable to the Property paid to the CITY for the base year, if any, except in the event of casualty or condemnation of the Facility in the Zone.

F. Protest Rights. PETCO shall have the right to protest appraisals of the Property, or any portion thereof, or the value of any improvements over and above the Base Year Value and Base Value as applicable.

G. Economic Development Grant Conditions and Value. In consideration of the Improvements investment, job creation and wage levels created by PETCO, the CITY shall provide a cash grant in the amount of six hundred fifty thousand dollars (\$650,000.00) from the EDIF to PETCO. CITY will disburse grant funds to PETCO as follows:

1. Disbursement of two hundred fifty thousand dollars (\$250,000.00) upon: (a) provision by PETCO of satisfactory evidence of investment and completion of Improvements; and (b) provision by GRANTEE of evidence of receipt of Certificate of Occupancy for the Facility to CITY; and (c) execution of this Agreement.

2. Contingent upon the contribution of up to four hundred thousand dollars (\$400,000.00) from PETCO to CITY during the Grant Term for the benefit of CITY's Animal Care Services Department's spay-neuter program, payable in four (4) annual installments of one hundred thousand dollars (\$100,000.00) beginning no later than January 1, 2012 and ending no later than December 31, 2015 unless paid sooner, CITY shall provide a cash grant to PETCO of up to four hundred thousand dollars (\$400,000.00), payable in annual installments of one hundred thousand dollars (\$100,000.00) over four (4) years, with each installment payable following receipt of PETCO's annual one hundred thousand dollar (\$100,000.00) contribution. In the event PETCO fails to make an annual contribution or a total contribution of four hundred thousand dollars (\$400,000.00) during the Grant Term, this shall not be cause for default or termination of this Agreement. Failure to make an annual contribution shall also not result in the recapture of previously granted funds or previously abated ad valorem taxes. If PETCO does not make an annual installment contribution during any one year of the Grant Term, this shall not prevent PETCO from making an annual installment contribution of one hundred thousand dollars (\$100,000.00) or more in the following year provided such contribution is made during the Grant Term and receiving from the City an installment grant equal to the contribution during the Grant Term.

H. CITY shall not be liable to PETCO or any other entity for any costs incurred by PETCO or any other entity.

7. DEFAULT/TERMINATION/RECAPTURE

A. Relocation Defined. For purposes of this section, "Relocation" or "Relocate" shall mean PETCO, a Related Organization or Assignee which has taken the place of PETCO: (i) substantially relocating the Business Activities to a location outside the CITY; or (ii) substantially relocating the Business Activities outside an approved Enterprise or Reinvestment Zone within the CITY. A *substantial relocation* shall mean the Relocation of at least fifty percent (50%) of the Business Activities.

B. Termination and Recapture of Grant Funds and Abated Taxes in Event of Relocation of Business Activities. If PETCO, a Related Organization or Assignee which has taken the place of PETCO occupies and uses the Facility for its Business Activities and subsequently Relocates (as defined in Article 7, Paragraph A) during the Grant and Tax Abatement Term, except if such Relocation of Business Activities is caused by a Force Majeure, as defined in Article 8, then City Council shall have the right to terminate this Agreement. Said termination shall be effective for the calendar year during which the Facility or Improvements were no longer used for the required purposes stated herein. Upon said termination, all funds granted and ad valorem taxes on Improvements otherwise abated for that calendar year and all previously granted funds and previously abated ad valorem taxes on these Improvements under this Agreement shall be recaptured (based on the table in Article 7, Paragraph I) and shall be paid to CITY within sixty (60) calendar days from the date of said termination notices to PETCO, a Related Organization and/or Assignee by CITY, pursuant to the Notice provisions of this Agreement. The amount of

grant funds subject to recapture will equal no more than the amount of funds granted by CITY minus the amount of contribution paid to CITY by PETCO.

C. Termination and Recapture of Grant Funds and Abated Taxes in Event of Cessation of Business Activities. If PETCO, a Related Organization or Assignee occupies and uses the Facility for its Business Activities and subsequently ceases conducting Business Activities (or a substantial, i.e. - at least fifty percent (50%), portion thereof) at the site for a continuous period of three (3) months during the Grant and Tax Abatement Term for any reason, except if such cessation is caused by a Force Majeure as defined in Article 8, then the City Council shall have the right to terminate this Agreement. Said termination shall be effective for the calendar year during which the Facility or Improvements were no longer used for the required purposes stated herein. Upon said termination, all grant funds and ad valorem taxes on Improvements otherwise abated for that calendar year and all previously granted funds and previously abated ad valorem taxes on the Improvements under this Agreement shall be recaptured (based on the table in Article 7, Paragraph I) and shall be paid to CITY within sixty (60) calendar days from the date of said termination notices to PETCO, a Related Organization and/or Assignee by CITY, pursuant to the Notice provisions of this Agreement. The amount of grants funds subject to recapture will equal no more than the amount of funds granted by CITY minus the amount of contribution paid to CITY by PETCO.

D. Recapture of Grant Funds and Taxes Following Grant and Tax Abatement Term of Agreement. In the event that the Grant and Tax Abatement Term expires and PETCO Relocates (as defined in Article 7, Paragraph A) or ceases to conduct Business Activities (as defined in Article 7, Paragraph C) at the Facility, then the City Council shall also have the right to terminate this Agreement and recapture from PETCO, a Related Organization and/or Assignee all previously granted funds and previously abated ad valorem taxes on Improvements based on the table in Article 7, Paragraph I of this Agreement (the "Recapture Period"), which shall be paid to CITY within sixty (60) calendar days from the date of said termination notices to PETCO, a Related Organization and/or Assignee by CITY, pursuant to the Notice provisions of this Agreement. The amount of grant funds subject to recapture will equal no more than the amount of funds granted by CITY minus the amount of contribution paid to CITY by PETCO.

E. Termination and Recapture of Grant Funds and Taxes for Failure to Maintain Minimum Number of Employment Positions. If PETCO, a Related Organization or Assignee fails to satisfy Article 5, Paragraph A above, calculated by the averaging of the two most current semi-annual Employee Wage Information for Tax Abatement Request Forms, or substantially similar form, (Exhibit "E") for such calendar year of noncompliance, then for each such calendar year of noncompliance, the tax abatement shall be reduced in the following tax year by the same percentage as the deficiency in the number of positions. For example, if PETCO establishes and maintains ninety percent (90%) of the minimum number of non-temporary, full-time positions in a given year, PETCO shall be entitled to a ninety percent (90%) abatement of the ad valorem Property Improvement taxes for that following year, but subject to a floor of fifty percent (50%). If PETCO fails to establish and maintain at least fifty percent (50%) of the minimum number of non-temporary full-time positions in a given year, then this failure may be grounds for termination of this Agreement. Said termination shall be effective for the calendar year during

which the number of non-temporary, full-time positions stated herein are not established and maintained as required. Upon said termination, all grant funds and ad valorem taxes on Improvements otherwise abated for that calendar year and all previously granted funds and previously abated ad valorem taxes on the Improvements under this Agreement shall be recaptured (based on the table in Article 7, Paragraph I) and shall be paid to CITY within sixty (60) calendar days from the date of said termination notices to PETCO, a Related Organization and/or Assignee by CITY, pursuant to the Notice provisions of this Agreement. The amount of grants funds subject to recapture will equal no more than the amount of funds granted by CITY minus the amount of contribution paid to CITY by PETCO.

F. Cure Period and Declaration of Default. During the Grant and Tax Abatement Term or Recapture Period, CITY may declare a default if PETCO, a Related Organization and/or Assignee fails to comply with any of the terms of this Agreement. Should CITY determine PETCO, a Related Organization and/or Assignee is in default under any of the terms of this Agreement, CITY will notify PETCO, a Related Organization and/or Assignee in writing at the address below in Article 9, and if said default is not cured within sixty (60) calendar days from the date of such notice (the "Cure Period"), then City Council shall have the right to terminate this Agreement. CITY may extend the Cure Period if PETCO, a Related Organization and/or Assignee commences the cure within the Cure Period and is diligently pursuing such cure. If the Agreement is terminated as a result of default, all ad valorem taxes on Improvements will be due for the tax year during which the termination occurred and shall accrue without further abatement for all tax years thereafter; in addition, CITY shall have the right to recapture (based on the table in Article 7, Paragraph I) from PETCO, a Related Organization and/or Assignee all previously granted funds and previously abated ad valorem taxes on the Improvements under this Agreement and said grant funds and taxes shall be paid by PETCO, a Related Organization and/or Assignee to CITY within sixty (60) calendar days from the date of said termination notices to PETCO, a Related Organization and/or Assignee by CITY pursuant to the Notice provisions of this Agreement. The amount of grant funds subject to recapture will equal no more than the amount of funds granted by CITY minus the amount of contribution paid to CITY by PETCO.

G. Additional Rights to Terminate. If PETCO, a Related Organization and/or Assignee allows its ad valorem taxes due on the Base Year Value or Base Value of the Property Improvements to become delinquent and PETCO, a Related Organization and/or Assignee fails to timely and properly follow the legal procedures for their protest and/or contest, or is in default on any loan which has been made by the San Antonio Development Agency, City of San Antonio Industrial Development Authority or any other CITY-sponsored loan/grant/bond program or CITY agreement, or is in default of any other CITY agreement, then City Council shall have the right to terminate this Agreement under this Article 7, Paragraph G. Ad valorem taxes for the Improvements shall then be due for the tax year during which the termination occurred and shall accrue without further abatement for all tax years thereafter. All grant funds and ad valorem taxes previously abated by virtue of this Agreement shall be recaptured (based on the table in Article 7, Paragraph I) from PETCO, a Related Organization and/or Assignee and shall be paid to CITY within sixty (60) calendar days from the date of said termination notices to PETCO, a Related Organization and/or Assignee by CITY pursuant to the Notice provisions of

this Agreement. The amount of grants funds subject to recapture will equal no more than the amount of funds granted by CITY minus the amount of contribution paid to CITY by PETCO.

H. Termination in Event of Taking by Eminent Domain. If the Facility, or any portion of the Improvements in the Facility, is taken by any public or quasi-public authority under the power of eminent domain, condemnation or expropriation, then the abatement of ad valorem taxes on the Improvements shall terminate (only as to the portion of the Improvements or Facility affected by the taking), effective as of the calendar year during which the taking occurs, and there shall be no recapture of grant funds or taxes. In the event of a partial taking, PETCO shall have the right to continue or to terminate this Agreement, for the remaining portion of the Improvements or Facility, without recapture or other penalty.

I. Calculation of Taxes and Grants Subject to Recapture. If PETCO, a Related Organization and/or Assignee fails to comply with any of the terms of this Agreement including, but not limited to, defaults defined in Article 7, Paragraphs A through G, then the City Council shall have the right to terminate this Agreement during the Grant and Tax Abatement Term or Recapture Period and recapture from PETCO, a Related Organization and/or Assignee the applicable percentage of the grant funds and abated ad valorem taxes for Improvements during the Grant and Tax Abatement Term or Recapture Period based on the following tables within this Article 7, Paragraph I. After the amount of ad valorem taxes and grant funds to be recaptured are calculated pursuant to this Article 7, Paragraph I, the City shall combine the ad valorem taxes to be recaptured with the amount of grant funds to be recaptured for the the total amount of recapture. A final bill will then be sent to PETCO, a Related Organization, and/or Assignee.

YEAR OF GRANT AND TAX PHASE-IN
TERM OR RECAPTURE PERIOD

TOTAL GRANT FUNDS OR TAX
PREVIOUSLY ABATED SHALL BE
MULTIPLIED BY:

Grant and Tax Abatement Term
1-10

100%

Recapture Period

11

100%

12

80%

13

60%

14

40%

15

20%

16

10%

FORMULA: The *Recapture Formula* for the Grant and Tax Abatement Term or Tax Abatement Recapture Period shall be:

Ad Valorem		Applicable Percentage		Amount to be
Taxes Abated plus	X	from Schedule Above	=	Recaptured
Total Grant funds				

Minus PETCO
Contributions

J. Other Remedies Available. CITY shall have the right to seek any remedy at law to which it may be entitled, in addition to termination and/or recapture, if PETCO, the Related Organization and/or Assignee defaults under the terms of this Agreement. However, such termination and/or recapture shall be subject to any and all lawful offsets, settlements, deductions or credits to which PETCO, the Related Organization and/or Assignee may be entitled.

8. AUTHORIZED RELIEF FROM PERFORMANCE (Force Majeure)

For purposes of this section, "Force Majeure" is defined as an act of God, terrorism, war, social unrest, strike or natural disaster, explosion, casualty or accident not due to negligence, intentional act or misconduct on the part of PETCO. In addition to relief expressly granted in this Agreement, CITY shall grant relief from performance of this Agreement if PETCO is prevented from compliance and performance by an event of Force Majeure and may, at CITY's election, terminate the Agreement. The burden of proof for the need for such relief shall rest upon PETCO and shall include sufficient and appropriate documentation. To obtain release based upon this Article 8, PETCO must file a written request with the CITY'S Director of the International and Economic Development Department for processing to City Council for a decision, authorized by a duly approved Ordinance.

9. NOTICE

Any notice required or permitted to be given hereunder by one Party to the other shall be in writing and the same shall be given and shall be deemed to have been served and given if: (a) delivered in person to the address set forth herein below for the Party to whom the notice is given; (b) placed in the United States mail with postage prepaid, return receipt requested, properly addressed to such Party at the address hereinafter specified; or (c) deposited, with fees prepaid, into the custody of a nationally recognized overnight delivery service such as FedEx, addressed to such Party at the address hereinafter specified. Any notice mailed in the above manner shall be effective upon three (3) days after deposit into the custody of the United States Postal Service or one (1) day after deposit with such nationally recognized delivery service as applicable; all other notices shall be effective upon receipt. From time to time, either Party may designate another address for all purposes under this Agreement by giving the other Party no less than ten (10) calendar days advance written notice of such change of address in accordance with the provisions hereof.

TO PETCO:

- (Whether personally delivered or mailed):

PETCO Animal Supplies, Inc.
9125 Rehco Road
San Diego, CA 92121
Attn: General Counsel
Phone: 858-657-2091
Fax: 858-526-2828

- with a concurrent copy to:

PETCO Animal Supplies, Inc.
654 Richland Hills Drive
San Antonio, TX 78245
Attn: Facility Manager

TO CITY:

- If mailed:

International and Economic Development Department.
Attn: Director
P.O. Box 839966
San Antonio, Texas 78283-3966

- If by personal or overnight delivery:

International and Economic Development Department
Attn: Director
Frost Bank Tower, 19th Floor
San Antonio, Texas 78205

10. **CONDITION**

This Agreement is conditioned entirely upon the approval of the San Antonio City Council, as evidenced by a duly approved ordinance.

11. **ASSIGNMENT**

Except as otherwise expressly provided herein, this Agreement may be assigned or otherwise transferred only with City Council's prior approval (which approval shall not be unreasonably withheld, conditioned or delayed), as reflected in a duly adopted ordinance. PETCO shall submit a written request to CITY for approval of the proposed assignment or other transfer at least thirty (30) days prior to the effective date of the assignment or transfer of any part of the Property, the Facility or PETCO's corporate body; however, no City Council consent is required for an administrative assignment or transfer to a parent of PETCO, a subsidiary of PETCO, an affiliate entity of PETCO, or to any new entity created as a result of a merger, or

other corporate restructure or reorganization of PETCO (a "Related Organization"). However, PETCO shall give CITY prior written notice, subject to Article 9, requesting assignments or other transfers that do not require City Council consent, as required under Article 5, Paragraph O for administrative assignment. All Assignees shall be bound by all terms and/or provisions and representations of this Agreement.

12. GENERAL PROVISIONS

A. None of the Improvements described in this Agreement are financed by tax increment bonds.

B. This Agreement is entered into subject to the rights of the holders of outstanding bonds of the CITY related to this project. No bonds for which the CITY is liable have been used to finance this project.

C. Except as otherwise provided in this Agreement, no amendment, modification or alteration of the terms hereof shall be binding unless in writing dated subsequent to the date of this Agreement and duly authorized by the Parties, subject to City Council approval, as evidenced by ordinance.

13. SEVERABILITY

In the event any section, subsection, paragraph, subparagraph, sentence, phrase or word herein is held invalid, illegal or unenforceable, the balance of this Agreement shall stand, shall be enforceable and shall be read as if the Parties intended at all times to delete said invalid section, subsection, paragraph, subparagraph, sentence, phrase or word. In such event, there shall be substituted a provision as similar as possible in terms and in effect to such deleted provision that is valid, legal and enforceable. This Agreement constitutes the entire Agreement between the Parties hereto relating to the subject matter contained herein and supersedes all prior, oral or written agreements, commitments or understandings with respect to the matters provided for herein.

14. ESTOPPEL CERTIFICATE

Any Party hereto may request an estoppel certificate related to this project (hereafter referred to as "Certificate") from another Party hereto so long as the Certificate is requested in connection with a bonafide business purpose. The Certificate, which if requested, will be addressed to a lender, subsequent purchaser or assignee of PETCO or other party designated by PETCO which shall include, but not necessarily be limited to, statements that this Agreement is in full force and effect without default, if such is the case, the remaining Term of this Agreement, the grant funding and levels of tax abatement in effect, and such other matters reasonably requested by the party(ies) to receive the Certificate.

15. OWNER STANDING

PETCO, as a Party to this Agreement, shall be deemed a proper and necessary Party in any litigation questioning or challenging the validity of this Agreement or any of the underlying ordinances, resolutions or City Council actions authorizing same, and PETCO shall be entitled to intervene in said litigation.

16. APPLICABLE LAW

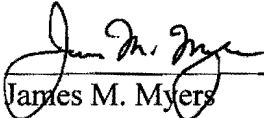
This Agreement shall be construed under the laws of the State of Texas and venue and jurisdiction shall lie in Bexar County, Texas, the location of the Reinvestment Zone in which the PETCO Facility and Improvements are located.

17. DUPLICATE ORIGINALS

This Agreement shall be executed in triplicate originals, with a duplicate original going to each Party and one to the City Clerk.

PETCO ANIMAL SUPPLIES, INC.
A Delaware Corporation

CITY OF SAN ANTONIO,
a Texas Municipal Corporation

BY: 
Name: James M. Myers
Title: CHIEF EXECUTIVE OFFICER

Sheryl Sculley
CITY MANAGER

ATTEST:

ATTEST:

Name: _____
Title: _____

Leticia Vacek
CITY CLERK

APPROVED AS TO FORM:

Leslie Orton Haby
ASSISTANT CITY ATTORNEY

EXHIBIT A

EXHIBIT A

Lot 1, Block 4, New City Block 15329, Westpointe Corporate Centre, Unit 1, an addition to the City of San Antonio, Bexar County, Texas according to the map or plat thereof, recorded in Volume 9578, Page 195, Deed and Plat Records of Bexar County, Texas.

EXHIBIT B

CITY OF SAN ANTONIO

TAX ABATEMENT GUIDELINES



*Effective Month January 1, 2009 through December 31, 2010
(Amended by City Council June 24, 2010)
(Amended Seventy Percent Wage Requirement September 1, 2010)*



CITY OF SAN ANTONIO
International and Economic Development Department
P.O. Box 839966
San Antonio, Texas 78283-9966
Telephone: (210) 207-8080
www.sanantonio.gov/edd

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Introduction

Chapter 312 of the Texas Tax Code authorizes local governments to abate 100% of ad valorem property taxes on the value of new property improvements for up to 10 years, including real property, tangible personal property, and inventory and supplies. The City of San Antonio is required by this same statute to develop and review guidelines at least every two years for the eligibility and award of this tax incentive.

These Guidelines support the City's priorities for attracting new investment and job retention/creation in targeted industries. The City Council is committed to fully evaluating the merits and benefits of each individual project and retaining the flexibility to offer any project up to the maximum tax abatement allowed under the law. City Council has also directed staff to carefully consider high priority opportunities with significant investment and/or job creation in targeted industries, such as renewable energy and biotechnology, and to exercise flexibility in offering the maximum tax abatement necessary to attract such projects to San Antonio regardless of where they locate in the community.

The growth, sustainability and diversity of a regional economy are goals that are critical to the long-term prosperity of a community and its citizens. Communities must strategically plan and implement policies and incentive programs to achieve these goals. San Antonio's Tax Abatement Guidelines demonstrate a pro-business environment to help attract, retain and expand targeted industries, increase employment and wages, expand the tax base, and create long-term capital investment and new wealth opportunities in the community.

State law further requires that each taxing jurisdiction enter into a Tax Abatement Agreement with each owner of property or the owner of a leasehold interest in real property receiving an abatement or portion thereof. These agreements are binding legal documents between all parties involved. Additional provisions and requirements are included in those agreements.

The City Council has adopted these Guidelines and will utilize them to ensure that any abatement of property taxes achieves the community's economic development goals. Each taxing jurisdiction independently decides whether or not to abate taxes for any given project and approval from one governmental entity does not guarantee approval from the other.

Eligibility Criteria

To be eligible for consideration by City Council for a tax abatement under these Guidelines, a company or project must meet and/or exceed all of the criteria, as described below:

- Minimum amounts of real or personal property investment;
- Minimum levels of full-time job creation, except for multi-family rental only housing, data centers and mixed-use projects in the City designated Reinvestment Policy Target Area (Appendix D);
- Employee and dependent access to health care benefits;
- Prescribed wage requirements for all employees at project site; and
- Applicant must be in a targeted industry or qualifying business activity.

The amount and term of the tax abatement will also be impacted by:

- The location of facility;
- Other public incentives used for same project; and
- Overall benefit to the community.

Targeted Areas for Investment and Job Creation

To promote balanced growth, certain areas are targeted for job creation and investment. Depending on the location of the project, the term of the abatement will vary. City Council has adopted an Inner City Reinvestment/Infill Policy which created a three-tiered target area for financial incentives, including tax abatements, to promote growth and development in the inner city and downtown areas. These Guidelines are aligned with that policy. Following are the specific tax abatement term areas as identified at Appendix B.

Areas eligible for a tax abatement up to a 10-year term:

- Within the City limits, projects located within Loop 410 and the annexed areas of City South.

Areas eligible for a tax abatement up to a 6-year term:

- Within the City, projects located outside Loop 410 except for City South annexed areas.

Areas *not* eligible for tax abatement:

- Projects located in whole or in part over the Edwards Aquifer Recharge Zone and Contributing Zone are not eligible for a tax abatement.
- New or existing projects that may have a potentially negative impact on military missions are not eligible for a tax abatement.

Summary of Capital Investment and Job Creation Requirements

State statute allows the City to offer tax abatements for up to 10 years on up to 100% of real and personal property improvements. The City will consider offering up to this maximum allowable tax abatement on projects that meet or exceed a total capital investment of \$30 million and/or create at least 500 new full-time jobs, except for projects locating over the Edwards Aquifer Recharge and Contributing Zones. However, the City is particularly focused on attracting investment and jobs to the Inner City Reinvestment/Infill Policy area (Appendix D) and is therefore prepared to offer more tax and other development incentives to projects in this targeted area. For projects not meeting the exceptional investment and/or job creation thresholds mentioned above, companies can use the following table as a guide in determining the potential maximum tax abatement incentive for your project:

Potential Tax Abatements Available at Minimum Levels of Capital Investment & Job Creation	City of San Antonio	
	6-Year Term Area (see Appendix B)	10-Year Term Area (See Appendix B)
Investments in Real & Personal Property	\$10 Million Combined	\$1 Million Combined
New Full-Time Jobs (Note 1)	100	25
Potential Tax Abatement (Note 2)	up to 50% on real and personal property	Up to 100% on real and personal property in the Inner City Reinvestment/Infill Policy Target Area Up to 75% on real and personal property in areas outside the Inner City Reinvestment/Infill Policy Target Area

Notes:

(1) Eligible multi-family rental only housing, data centers and mixed use projects are exempt from the minimum job creation requirements.

(2) A project will receive consideration toward achieving the maximum tax abatement allowable in a 6 or 10-year term area based on the following:

- Locating in the Inner City Reinvestment/Infill Policy Target Area.
- Meeting Leadership in Energy and Environmental Design (LEED) Green Building Rating System™ standards or equivalent acceptable methodology.
- Enrolling in CPS Energy's Windtricity or another CPS Energy renewable energy program or other renewable product.
- Paying new and existing employees an hourly wage of 25% or greater above the wage requirement.
- Providing jobs and investment through green technology projects.

Timing

In order to be eligible for consideration, the company must submit an application prior to commencement of the project. No tax abatement for a proposed project will take effect until a final negotiated agreement has been approved and fully executed. The timing and acquisition of personal property related to this project will impact its eligibility for abatement.

Local Hire Requirement

Any project seeking a tax abatement must hire at least 25% of its new employees at the project location from residents of the City of San Antonio or Bexar County, regardless of project size.

Employee Health Care Benefits

The company seeking a tax abatement under these Guidelines must provide each full-time person employed at the project location and his or her dependents with access to affordable health insurance within one year from date of employment.

Wage Requirements

Living Wage Requirement: In order to be eligible for a tax abatement, all (100%) of the company's new and existing employees *at the project location* must earn no less than a "living wage" throughout the full term of the Tax Abatement Agreement. This wage is based on the poverty level for a family of four, as determined annually (January) by the U.S. Department of Health and Human Services (HHS). Legislation enacted in late 2009 and early 2010 prohibited publication of 2010 poverty guidelines before May 31, 2010, and required that the 2009 poverty guidelines remain in effect until publication of updated guidelines. As a result, the poverty guidelines for the remainder of 2010 are the same as the 2009 poverty guidelines. The living wage requirement is \$10.60 per hour.

Seventy Percent Wage Requirement: In addition to the "Living Wage" requirement, after one year of initiating full operations at the project location but not more than two years after execution of the agreement, seventy percent (70%) of all new and existing employees, with at least one year of full employment with the company at the project location, must earn a cash wage at or exceeding one of the two following hourly wage requirements, depending on the majority of the company's activities at the project location.

- **Median Hourly Wage for Manufacturing:** This is the wage requirement for all companies primarily engaged in manufacturing activities at the project location at the time the tax abatement agreement is executed. This wage is compiled by the Bureau of Labor Statistics (BLS) Occupational Employment Survey and published annually by the Texas Workforce Commission (TWC). This wage reflects the annual median hourly wage for all manufacturers in the San Antonio Metropolitan Statistical Area and is updated in June of each year. Effective September 1, 2010, this wage is \$13.97/per hour.

- **Median Hourly Wage for All Industries (Companies):** This is the wage requirement for those companies whose primary activities at the project location are non-manufacturing (e.g., financial services) at the time the tax abatement agreement is executed. This wage is also compiled by the Bureau of Labor Statistics (BLS) Occupational Employment Survey and published annually by the Texas Workforce Commission (TWC). This wage reflects the annual median hourly wage for all industries in the San Antonio Metropolitan Statistical Area and is updated in June of each year. Effective September 1, 2010, this wage is \$13.76/per hour.

If the company does not meet and maintain these wage requirements for all new and existing employees at the project location going forward, the company will be in default of their Tax Abatement Agreement, which likely will result in termination of the Agreement and the recapture of all or a portion of the previously abated property taxes.

Qualifying Industries/Business Activities or Projects

The majority of the company's business at the project location must be engaged in one of the following qualifying industries, business activities or projects, as defined in Appendix A:

- Agribusiness
- Aviation/Aerospace
- Biotechnology
- Creative Services
- Environmental Technology (includes Green Technology)
- Finance
- Information Technology and Cyber Security
- Logistics and Distribution
- Manufacturing (any industry)
- Telecommunications
- Corporate and Regional Headquarters activities
- Urban Significant Projects locating in the Inner City Reinvestment /Infill Policy Target Area, including mixed-use, data centers and multi-family rental only housing

Companies and Projects Not Eligible for a Tax Abatement

Regardless of the investment or jobs created, the following types of businesses and projects are not eligible for a tax abatement:

- Retail stores, retail centers, or businesses that competitively provide goods or services to consumers are not eligible except in Reinvestment Plan Areas (Appendix C).
- Multi-family housing and mixed-use projects located outside the Reinvestment/Infill Policy target area and multi-family "for sale" within this area.
- Hotel or motel facilities.
- Projects over the Edwards Aquifer Recharge Zone and Contributing Zone.

- New or existing projects that may have a potentially negative impact on military missions.

Additional Terms and Conditions

Recipients of tax abatements must agree to work with Workforce Solutions Alamo to facilitate the posting and advertisement of new jobs at the property of interest, as well as for the recruitment of potential qualified applicants for these positions. Workforce Solutions Alamo offers other employer services, such as assessment of basic skills and work aptitudes of potential employees, job matching services, labor market information, assistance in arranging workforce training, and outplacement services which the recipient may access.

Recapture of Abated Taxes

Tax abatement agreements will provide for recapture of abated property taxes in the event contract terms and requirements are not met. These recapture provisions will survive any subsequent assignment of the Agreement. The following are the standard schedules that show what percentage of taxes abated will be recaptured (multiply the amount of taxes abated by the percentage in the recapture period):

6-Year Abatement Period		10-Year Abatement Period	
Termination of Abatement	Recaptured Taxes	Termination of Abatement	Recaptured Taxes
During Abatement Period	100%	During Abatement Period	100%
Year 1 of Recapture Period	100%	Year 1 of Recapture Period	100%
Year 2 of Recapture Period	75%	Year 2 of Recapture Period	80%
Year 3 of Recapture Period	50%	Year 3 of Recapture Period	60%
Year 4 of Recapture Period	25%	Year 4 of Recapture Period	40%
		Year 5 of Recapture Period	20%
		Year 6 of Recapture Period	10%

Non-Refundable Application Fee

Companies must submit separate non-refundable application fees with their respective applications based upon the following schedule:

Jurisdiction	# of Employees in Applicant Firm	Fee (\$)
City of San Antonio	Minimum Fee	\$500
	100-499	\$1,000
	500+	\$1,500

Any project that requires an assignment or amendment will pay a fee of \$1,000 to the City of San Antonio. If a proposed project's investment, job creation, wages or construction schedule change significantly following the submittal of a completed application and payment of the fee to the the City of San Antonio, or if an Agreement has not been finalized within one calendar year following application, the City of San Antonio may close out a pending

application. Any submission of a new and subsequent application following such a close out will require another application fee for reconsideration of the tax abatement request.

APPENDIX A

Definitions

Agribusiness: Businesses engaged in the research, development, manufacturing, or refining of agricultural products into foodstuffs or for use as intermediate products in the processing of other agricultural finished goods or products.

Aviation/Aerospace: Companies primarily engaged in one or more of the following activities:

- (1) Manufacturing complete aircraft, missiles, or space vehicles
- (2) Manufacturing aerospace engines, propulsion units, auxiliary equipment or parts
- (3) Developing and making prototypes of aerospace products
- (4) Aircraft conversion (i.e., major modifications to systems)
- (5) Complete aircraft, missile, or space vehicle or propulsion systems maintenance, repair, overhaul and rebuilding (i.e., periodic restoration of aircraft to original design specifications)
- (6) Research and development
- (7) Regional air passenger operations

Biotechnology: This industry comprises establishments primarily engaged in conducting research, development, and manufacturing in the physical, bio-engineering, and life sciences, such as pharmaceutical, agriculture, environmental, biology, botany, chemistry, food, fisheries, forests and health.

Corporate and Regional Headquarters: The firm's corporate or regional legal principal place of business is located in the County of Bexar, and its total assets will be at least \$500,000,000 and/or its total revenues will be at least \$500,000,000 for the corporate fiscal year preceding the date of the filing of its application for Tax Abatement with the County of Bexar or the City of San Antonio. This excludes the corporation's retail outlets.

Creative Services: Includes businesses or divisions of corporations that are primarily engaged in the following sectors having general or specific activities and business efforts – printing, publishing, broadcasting, design services, advertising, public relations, architecture, digital media, and businesses involved in film and video production.

Environmental Technology: (also known as Green Technology and Clean Technology) is the application of the environmental sciences to conserve the natural environment and resources, and to curb the negative impacts of human involvement. Includes projects whose primary business activity is the research, development, or manufacturing of products such as pollution control devices and systems, waste treatment processes and storage facilities, and site remediation technologies.

Finance: Includes companies whose main business is engaged in finance, accounting, insurance, and risk management. It does *not* include any retail component of these businesses.

Information Technology and Cyber Security: This industry comprises establishments primarily engaged in planning and designing computer systems that integrate computer hardware, software, and communication technologies. The hardware and software components of the system may be provided by this establishment or company as part of integrated services or may be provided by third parties or vendors. These establishments often design and develop software, install the system and train and support users of the system. Companies in this industry are engaged in producing and distributing information and cultural products, providing the means to transmit or distribute these products as well as data or communications, research and development and processing data

Inner City Reinvestment/Infill Policy Target Area: Specific targeted areas indentified in the City Council approved Inner City Reinvestment/Infill Policy that are currently served by public infrastructure and transit, but underserved by residential and commercial real estate markets. This area is identified at Appendix D.

Leadership in Energy and Environmental Design (LEED): Green Building Rating System™ developed by the U.S. Green Building Council (USGBC), provides a suite of standards for environmentally sustainable construction. In LEED v2.2 for new construction and major renovations for commercial buildings there are 69 possible points and buildings can qualify for four levels of certification.

Logistics and Distribution: Businesses involved in the receiving, storage, service, or distribution of goods or materials, where a majority of the goods or services are distributed to points outside the San Antonio metropolitan statistical area.

Manufacturing: Businesses engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products. This includes related research and development.

Mixed-Use Project: A residential project with units for sale and/or rent within the Downtown area that has a retail and/or commercial component of no more than twenty-five percent (25%) and a residential component of at least seventy-five percent (75%).

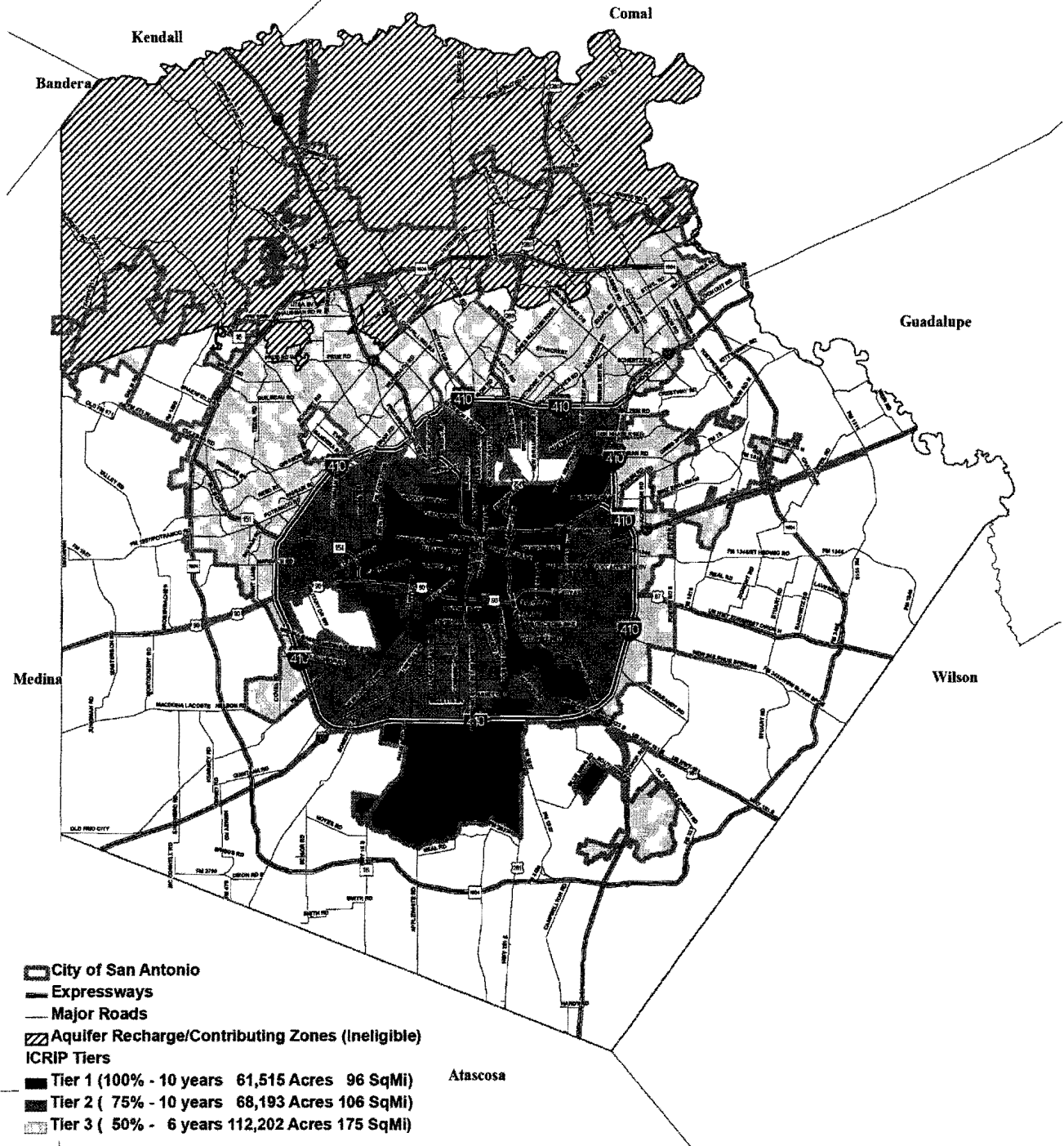
Recharge Zone and Contributing Zone (Appendix B): The Recharge Zone is that area where the stratigraphic units constituting the Aquifer crop out, including the outcrops of other geologic formations in proximity to the Aquifer, where caves, sinkholes, faults, fractures, or other permeable features would create a potential for recharge of surface waters into the Aquifer. The Contributing Zone is the drainage area or the catchment area. Here the land surface "catches" water from rainfall that averages about 30" per year, and water runs off into streams or infiltrates into the water table aquifer of the Edwards Plateau.

Reinvestment Plan Areas: Areas selected annually by the City's Community Development Advisory Committee and adopted by City Council in accordance with the City's Strategic Plan for Community Development. See Appendix C for a map.

Telecommunications: Businesses primarily engaged in research & development, regional distribution, and the manufacturing of telecommunication-related products and services. It does not include operations involved in the retail sale of telecommunications products and services.

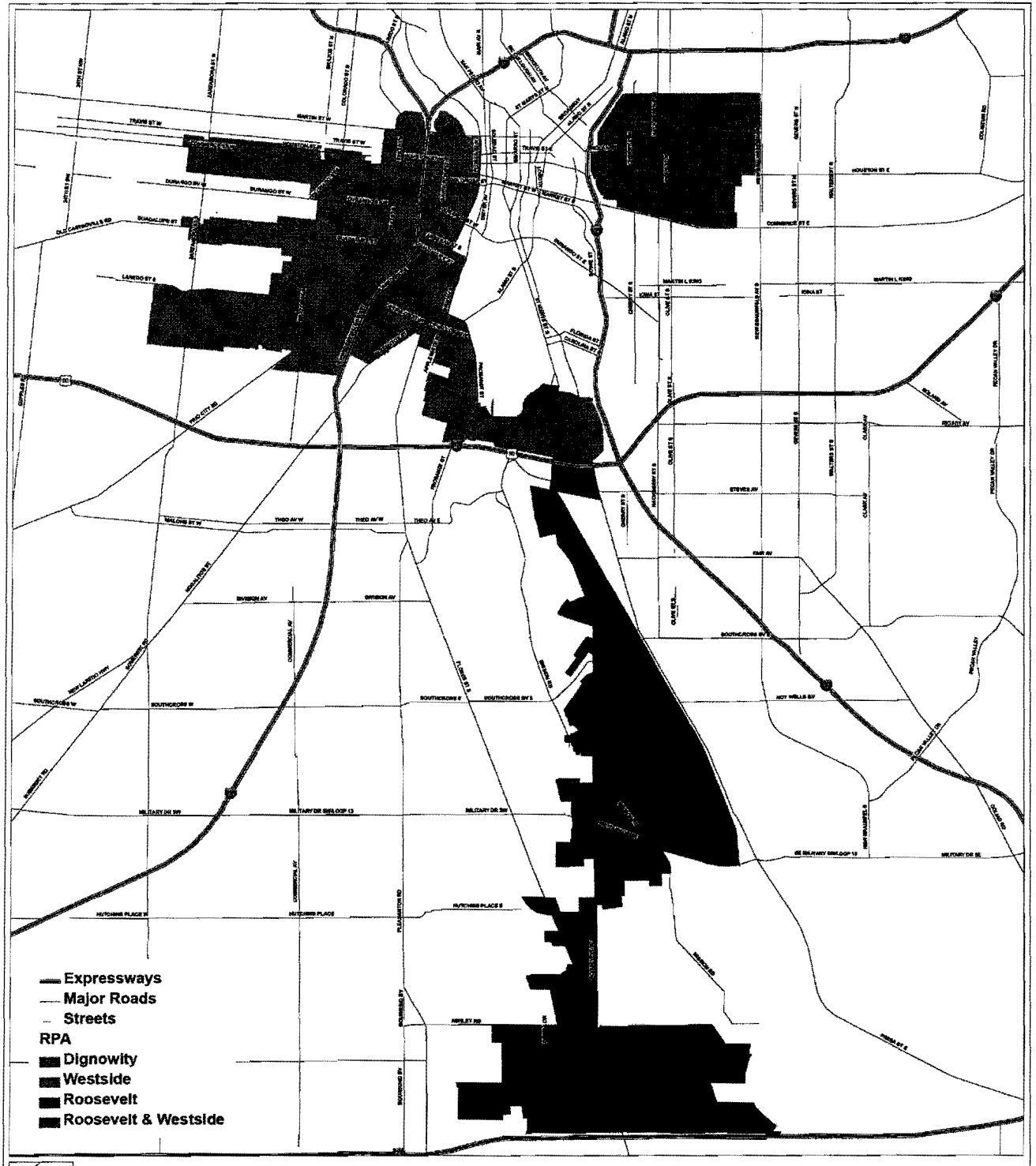
APPENDIX B

City Tax Abatement Term Areas and Edwards Recharge and Contributing Zones



APPENDIX C

Map of Reinvestment Plan Areas



APPENDIX D

Map of the Inner City Reinvestment/Infill Policy Area

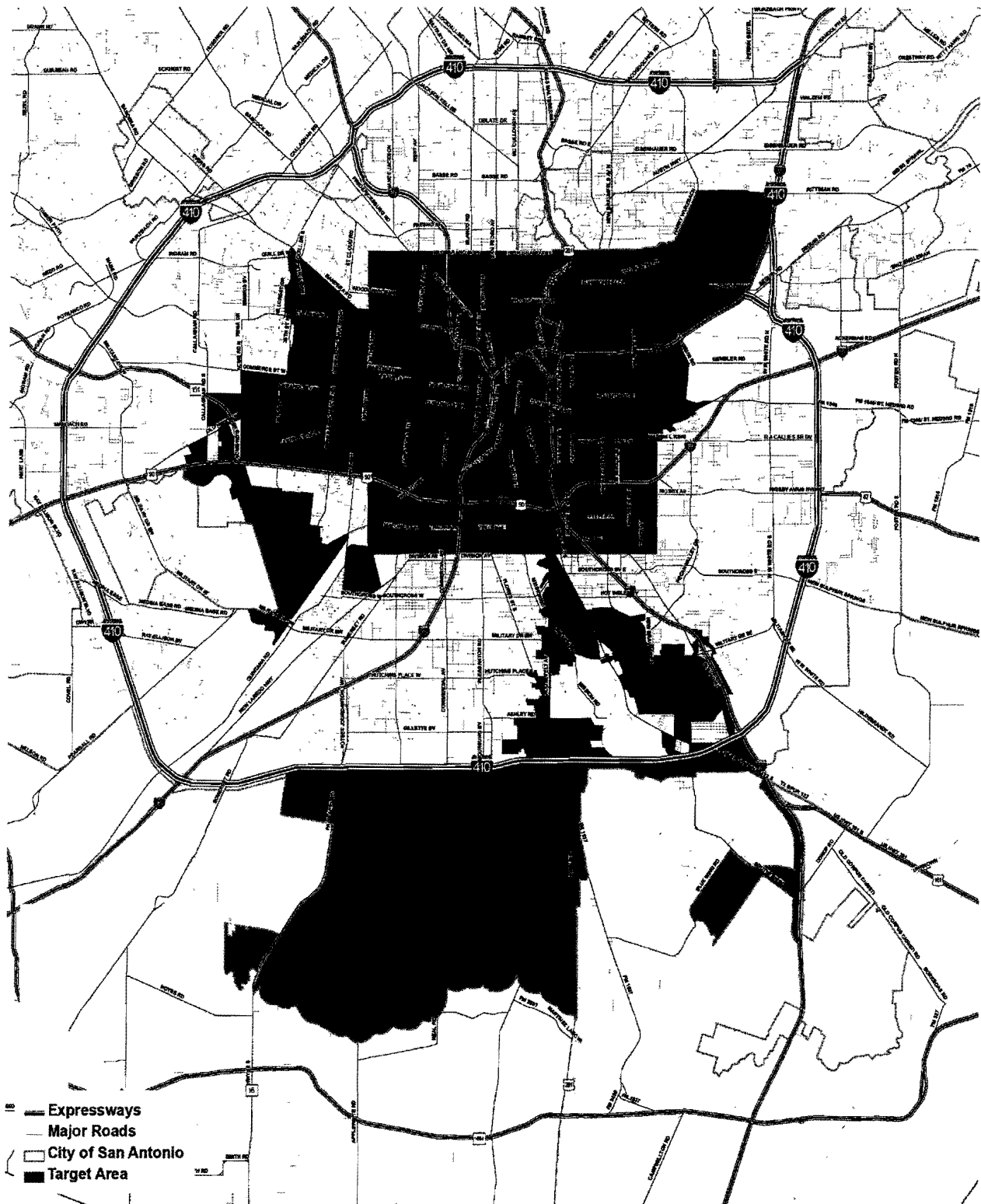


EXHIBIT C



Your 2010/2011 **Benefits Overview**

Part-Time Associates

Medical, Dental, and Life Insurance Coverage
Additional Benefits • Associate Rates

Para obtener una versión en español de la información, comuníquese con su representante de Recursos Humanos.

LIMITED MEDICAL PLAN¹ – HIGHLIGHTS

Aetna Affordable Health Choices ²		
	In-Network Only	Out-of-Network ³
PROVIDER CHOICE	This limited medical plan uses a network of PPO providers who charge negotiated rates to plan participants. To find a provider near you, call (888) 772-9682. The network provider for prescription drug benefits is Aetna Pharmacy Management (APM). To find a pharmacy in the APM network, call (888) 772-9682.	
WHAT THE PLAN COVERS		
COVERED BENEFITS	This limited medical plan provides coverage for illness and injury through outpatient and hospital benefits, up to an annual maximum benefit. ⁴	
DEDUCTIBLE PER COVERAGE YEAR ⁵	You pay \$200/person You pay \$400/family	You pay \$300/person You pay \$600/family
PERCENTAGE OF REMAINING CHARGES YOU PAY	You pay 20% ⁷	You pay 40% ⁷
PHYSICIAN OFFICE VISIT	You pay \$15 copay ^{2,6} Plan pays 100% up to benefit maximum	You pay \$15 deductible, then 50% ^{3,6,7}
PREVENTIVE VISITS	You pay \$15 copay	You pay 50% ^{6,7}
BENEFIT LIMITS		
MAXIMUM BENEFIT PER COVERAGE YEAR	\$10,000	
PREVENTIVE VISIT MAXIMUM (Does not count toward any other benefit limits or maximums)	Plan pays a maximum of \$100 per coverage year ⁴	
OTHER HOSPITAL SERVICES Does not include charges above room and board and professional fees. Includes pharmacy; medical and surgical supplies and devices; lab and x-rays; and operating and recovery room expenses.	Plan pays up to \$1,500 per coverage year	
OUTPATIENT CHARGES Includes charges for services and supplies provided at doctors' offices, free-standing clinics and outpatient facilities. They also include charges at a hospital when you are not admitted as an inpatient, including emergency room charges.	Plan pays up to \$1,000 per coverage year	
PRESCRIPTION DRUGS (AETNA PHARMACY MANAGEMENT)		
PRESCRIPTION DRUGS • Generic • Brand Name	You pay \$10 copay You pay \$20 copay	You pay 50% ⁸ You pay 50% ⁸
MONTHLY MAXIMUM PRESCRIPTION DRUG BENEFIT ⁹	Plan pays up to \$50 per month (deductible doesn't apply)	
VISION BENEFITS (AETNA VISION SM DISCOUNTS) ⁹		
VISION DISCOUNT PROGRAM	You receive savings on eyewear purchases at participating providers.	

¹ Benefits under this plan have certain limitations. Be sure to review the chart carefully so you understand what's covered and how much you'll pay.

² This plan is subject to a medical preexisting condition limitation – see your Aetna Affordable Health Choices enrollment kit for details.

³ If you live outside the PPO service area, your covered expenses will be reimbursed according to the in-network provisions of the plan.

⁴ The plan will provide additional coverage for wellness visits where required by state mandates, subject to plan maximums.

⁵ You will have met your "family deductible" when two covered family members have each paid their own deductibles in a coverage year.

⁶ Subject to the maximum benefit for covered outpatient expenses.

⁷ A negotiated charge is the maximum amount that a preferred provider has agreed to charge for the visit, service, or supply. A recognized charge is the amount Aetna recognizes that a visit, service, or supply should cost. Where the benefit is expressed as a percentage, the plan will pay based on the lesser of these charges. When you see an out-of-network provider, charges in addition to the recognized charge are your responsibility.

⁸ Covers only medical prescriptions, except for dental prescriptions issued in connection with treatment resulting from a covered accident.

⁹ Discount program provides access to discounted prices and is NOT an insured benefit. This discount arrangement may not be available to Illinois residents.

DENTAL PLAN – HIGHLIGHTS

Aetna Affordable Health Choices	
PROVIDER CHOICE	You may see any licensed dental provider you wish. However, you'll typically pay less when you see a participating PPO network dentist. ¹
WHAT THE PLAN COVERS	
COVERED BENEFITS	The plan covers a percentage of negotiated or recognized charges for a variety of covered services, including diagnostic and preventive care, and basic and major services after you pay an annual deductible. ²
COVERAGE-YEAR DEDUCTIBLE	\$50/person
DIAGNOSTIC/PREVENTIVE SERVICES • Preventive Care • Oral Exams • X-rays	Plan pays 80% Plan pays 80% Plan pays 80%
BASIC SERVICES ³ • Oral Surgery • Restorative (Fillings)	Plan pays 60% ⁴ Plan pays 60% ⁴
MAJOR SERVICES ⁴ • Crowns and Bridges • Dentures • Endodontics (Root Canals)	Plan pays 50% Plan pays 50% Plan pays 50%
COVERAGE-YEAR MAXIMUM BENEFIT	Plan pays up to \$500/year

¹The dental PPO network is not available in Alabama, Arkansas, Hawaii, Idaho, Louisiana, Mississippi, New Mexico, or Puerto Rico.

²A negotiated charge is the maximum amount that a preferred provider has agreed to charge for the visit, service, or supply. A recognized charge is the amount Aetna recognizes that a visit, service, or supply should cost. When you see an out-of-network provider, charges in addition to the recognized charge are your responsibility.

³You need to be enrolled in the dental plan without interruption for 3 months before the plan begins to pay for these services.

⁴Subject to a 12-month waiting period – or the amount of time your coverage must be in effect before benefits are paid for covered procedures.

LIFE INSURANCE BENEFIT

Aetna Affordable Health Choices	
TERM LIFE INSURANCE	<p>You may enroll for term life insurance for yourself with a benefit amount of \$20,000 paid to your beneficiary if you die. If your death is caused by a covered accident, the plan will pay an additional \$20,000 to your beneficiary. Benefits are reduced by 50% when you reach age 70.</p> <p>You may also enroll for life insurance coverage for your dependents. If your covered dependent is more than six months old, the benefit amount will be \$2,500. For dependents six months old or younger, the benefit amount will be \$500.</p>

COST OF COVERAGE (PER PAY PERIOD)

MEDICAL COVERAGE ONLY	Associate only: \$44.04 Associate + family: \$129.62
MEDICAL, DENTAL AND LIFE INSURANCE COVERAGE	Associate only: \$56.02 Associate + family: \$158.88

PAID TIME OFF

PAID TIME OFF (PTO)	<p>You're eligible for Paid Time Off (PTO) if you're a PETCO associate who works an average of 20 hours a week. The amount of PTO you receive depends on how long you've worked at PETCO. To begin, you receive up to 4 PTO days at your 4-month anniversary date based on your average hours worked. Then, you receive your PTO allocation, as follows, at your annual anniversary date:</p> <table><tr><td colspan="2">If you're a Regional/District/Store/Distribution Center associate:</td><td colspan="2">If you're a National Support Center associate:</td></tr><tr><td>• 1 — 4 full years:</td><td>18 days</td><td>• 1 — 4 full years:</td><td>15 days</td></tr><tr><td>• 5 — 9 full years:</td><td>23 days</td><td>• 5 — 9 full years:</td><td>20 days</td></tr><tr><td>• 10 or more full years:</td><td>28 days</td><td>• 10 or more full years:</td><td>25 days</td></tr></table> <p>You may not have more than 35 PTO days in your PTO account at any time. Any days that exceed 35, on your anniversary date, will not be credited to your account.</p> <p>Thank You Days: When you reach certain milestone anniversary dates, you'll receive an allocation of Thank You Days. We recognize the following milestone anniversaries:</p> <ul style="list-style-type: none">• 10 Years — 5 Thank You Days• 15, 20, 25, 30, and 35 Years — 10 Thank You Days	If you're a Regional/District/Store/Distribution Center associate:		If you're a National Support Center associate:		• 1 — 4 full years:	18 days	• 1 — 4 full years:	15 days	• 5 — 9 full years:	23 days	• 5 — 9 full years:	20 days	• 10 or more full years:	28 days	• 10 or more full years:	25 days
If you're a Regional/District/Store/Distribution Center associate:		If you're a National Support Center associate:															
• 1 — 4 full years:	18 days	• 1 — 4 full years:	15 days														
• 5 — 9 full years:	23 days	• 5 — 9 full years:	20 days														
• 10 or more full years:	28 days	• 10 or more full years:	25 days														
HOLIDAYS	<p>You receive holiday pay for PETCO designated holidays each year.</p>																

RETIREMENT PLAN

401(K) PLAN	<p>Eligibility: You're eligible to participate after completing one year of service if you've worked a total of 1,000 hours during that year. You must be at least 21 years old to participate in the plan.</p> <p>Contributions: You may contribute up to 60% of your base pay, up to IRS limits.</p> <p>Match: PETCO matches \$.50 on every dollar you contribute, up to the first 6%.</p> <p>Vesting: Your contributions vest immediately. PETCO's contributions vest at 20% each year.</p>
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ADDITIONAL BENEFITS

BEREAVEMENT LEAVE	PTO for the death of a family member. See the Policies and Procedures online for more information.
JURY DUTY	PTO to serve on a jury. See the Policies and Procedures online for more information.
STORE DISCOUNT	20% discount on most PETCO store merchandise.
DISCOUNTED PET INSURANCE	11% discount on Trupanion dog or cat insurance — when enrolling enter promotion code PC11 to receive discount.

EMPLOYEE ASSISTANCE PROGRAM (EAP)

HOW IT WORKS	Guidance Resources is available 24/7 and is designed to provide you, your family, and any household members with access to professional guidance and confidential support when stress from work, family, or life in general becomes overwhelming.
WHAT'S COVERED	<p>Administered by ComPsych and 100% paid by PETCO, Guidance Resources offers up to five 50-minute confidential counseling sessions and referrals. These sessions can help with:</p> <ul style="list-style-type: none"> • Drug or alcohol dependency • Emotional problems or stress • Marital, relationship, and family concerns • Child and elder care • Legal and financial concerns • Bereavement <p>Other Guidance Resources include health and wellness articles and information, referrals, answers to general legal questions, child and elder care referral, and financial consultation. You can access these services through (877) EAP-4PET and online. Online services include expert-reviewed articles, self-assessment questionnaires, interactive chats, and message boards. In addition there are directories for child or elder care, legal, and financial professionals. You can link to the EAP website from www.mypetcobenefits.com.</p>

AUTO AND HOME INSURANCE

AUTO AND HOME INSURANCE	<p>PETCO offers you group rates on Auto and Home Insurance through MetLife. These policies cover:</p> <ul style="list-style-type: none"> • Auto • Boat • Recreation Vehicle • Landlord's Rental Dwelling • Renters • Home • Condo • Mobile/Motor Home • Excess Liability • Flood <p>If you choose to apply for Auto or Home Insurance through MetLife Auto & Home, you pay the entire cost of coverage, at discounted rates. For more information on how to apply, please call (800) GET-MET8.</p>
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Please note: Home insurance is not part of this voluntary benefit offering in FL, CA, or MA. Identity Theft Resolution Services are included when you purchase a auto or home policy but may not be available in all states, nor to customers with all types of policy forms. Not available to customers in NC, nor in NH to auto customers.

IMPORTANT PHONE NUMBERS AND WEBSITES

	Phone	Website
HUMAN RESOURCES SERVICE CENTER	(888) 583-6044	Not applicable
SRC — AN AETNA COMPANY Aetna Affordable Health Choices Limited Medical, Dental and Term Life Insurance	(888) 772-9682 (Customer Service, provider referral and prescription drugs)	Not applicable
AETNA INFORMED HEALTH* LINE	(800) 556-1555	www.aetna.com
FIDELITY INVESTMENTS – 401(K) PLAN	(800) 835-5097	www.401k.com
COBRA	(800) 733-7555	Not applicable
ComPsych – EAP	(877) EAP-4PET	www.guidanceresources.com
METLIFE – AUTO AND HOME INSURANCE	(800) GET-MET8	www.metlife.com/mybenefits

ENROLLING FOR YOUR BENEFITS

The Aetna Affordable Health Choices plan is available to part-time associates only. Associates may enroll after 30 days of service. Please visit www.mypetcobenefits.com to enroll online and for more information regarding eligibility and dependent coverage.

This overview of the part-time benefits programs is not intended to be all-inclusive, nor is it to be used as a summary plan description. In the event of any conflict between this brochure and the plan document, the plan document will govern. PETCO reserves the right to change or modify its benefit plans as appropriate without advance notice. This guide does not represent a contract of employment.



Your 2010/2011 **Benefits Overview**

Directors

Health Care Plans • Income Protection Plans • Retirement Plans
Flexible Spending Accounts (FSAs) • Additional Benefits • Associate Rates

Para obtener una versión en español de la información, comuníquese con su representante de Recursos Humanos.

MEDICAL PLAN COMPARISON CHART

Check your enrollment worksheet to see which plans are available in your geographic area.

	Preferred Provider Organization (PPO)		Consumer Driven Health Plan (CDHP)	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	HEALTH PLAN 2024 NEW BY LAWS		HEALTH PLAN 2024 NEW BY LAWS	
LIFETIME MAXIMUM	\$2,000,000		\$2,000,000	
HEALTH REIMBURSEMENT ACCOUNT (HRA)	Not applicable		\$500 Associate only \$1,000 Associate + one \$1,000 Associate + family	
WELLNESS INCENTIVE ADDED TO HRA	Not applicable		\$100 Associate only \$200 Associate + one \$200 Associate + family	
First the plans require that you meet an annual deductible before the plan pays benefits...				
CALENDAR-YEAR DEDUCTIBLE	\$500/person \$1,000/family	\$2,000/person \$4,000/family	\$1,200 Associate only \$2,400 Associate + one \$2,400 Associate + family	\$4,800 Associate only \$9,600 Associate + one \$9,600 Associate + family
Next, you'll pay either a copay or coinsurance for covered services...				
PHYSICIAN OFFICE VISIT	20% – PCP 30% – Specialist	50% of R&C amount ² (deductible waived for PCP)	20% – PCP 30% – Specialist	50% of R&C amount ² (deductible waived for PCP)
ROUTINE HEALTH SCREENING (Preventive care/annual exams)	Plan pays 100% (deductible waived) ¹	Not Covered	Plan pays 100% (deductible waived)	Not covered
INPATIENT HOSPITAL	20%	50% of R&C amount ²	20%	50% of R&C amount ²
X-RAY AND LAB	20%	50% of R&C amount ²	20%	50% of R&C amount ²
URGENT CARE VISIT	\$50 copay	50% of R&C amount ²	\$50 copay	50% of R&C amount ²
EMERGENCY ROOM	\$100 copay, then 20% (copay waived if admitted)	50% of R&C amount ²	\$100 copay	50% of R&C amount ²
INPATIENT SURGERY	20%	50% of R&C amount ²	20%	50% of R&C amount ²
MATERNITY CARE • Prenatal • Delivery	20% 20%	50% of R&C amount ² 50% of R&C amount ²	20% 20%	50% of R&C amount ² 50% of R&C amount ²
PRESCRIPTION DRUGS			Preventive drugs covered at \$15 copay (retail) or \$30 copay (mail-order)	
Retail ³ • Tier 1 (Generic) ⁴ • Tier 2 (Preferred brand name) ⁵ • Tier 3 (Non-preferred brand name) ⁵	25%, \$10 min., \$30 max. copay 25%, \$20 min., \$60 max. copay 25%, \$35 min., \$90 max. copay		25% after deductible, \$100 maximum 25% after deductible, \$100 maximum 25% after deductible, \$100 maximum	
Mail-Order • Tier 1 (Generic) ⁴ • Tier 2 (Preferred brand name) ⁵ • Tier 3 (Non-preferred brand name) ⁵	25%, \$20 min., \$60 max. copay (in-network only) 25%, \$40 min., \$120 max. copay (in-network only) 25%, \$70 min., \$180 max. copay (in-network only)		25% after deductible, \$200 maximum 25% after deductible, \$200 maximum 25% after deductible, \$200 maximum	
CHIROPRACTIC CARE	20% (20-visit max/calendar year)	50% of allowable amount ² (20-visit max/calendar year)	20% (20-visit max/calendar year)	50% of R&C amount ² (20-visit max/calendar year)
MENTAL HEALTH/SUBSTANCE ABUSE • Inpatient • Outpatient	20% 20% copay/visit	50% of R&C amount ² SMI: ⁴ 50% of R&C amount ² Non-SMI: ⁴ 50% of R&C amount ²	20% 20%	50% of R&C amount ² SMI: ⁴ 50% of R&C amount ² Non-SMI: ⁴ 50% of R&C amount ²
Then, if you meet the annual out-of-pocket maximum, the plan will pay 100% of the cost of covered services for the remainder of the plan year...				
ANNUAL OUT-OF-POCKET MAXIMUM	\$3,200/person ⁷ \$6,400/family ⁷	\$6,750/person ⁷ \$13,500/family ⁷	\$3,700 Associate only ⁷ \$7,400 Associate + one ⁷ \$7,400 Associate + family ⁷	\$7,800 Associate only ⁷ \$15,500 Associate + one ⁷ \$15,500 Associate + family ⁷

¹ For X-ray and lab procedures performed during a physician office visit, you pay 20% (deductible waived).

² You're responsible for any charges above the reasonable and customary (R&C) amount. The R&C amount is based on what 70% of the providers in your geographic area charge for a given service.

³ Up to a 31-day supply.

⁴ Some brand-name drugs fall into this tier.

⁵ Some high-cost generic drugs fall into this tier.

^a SMI: Severe Mental Illness, including Serious Emotional Disturbances of a Child.

⁷ Annual Deductible does not apply to the Annual Out-of-Pocket Maximum.

⁸ Same-sex domestic partner coverage is also available. In CA, opposite-sex domestic partner coverage is available if one partner is over age 62.

⁹ Coverage is paid on an after-tax basis.

MEDICAL PLAN COMPARISON CHART

	UnitedHealthcare Out-of-Area
	\$2,000 \$1,000 \$1,000 \$2,000 \$1,000
LIFETIME MAXIMUM	\$2,000,000
First the plans require that you meet an annual deductible before the plan pays benefits...	
CALENDAR-YEAR DEDUCTIBLE	\$500/person \$1,000/family
Next, you'll pay either a copay or coinsurance for covered services...	
PHYSICIAN OFFICE VISIT	20% of R&C amount ¹
ROUTINE HEALTH SCREENING (Preventive care/annual exams)	20% of R&C amount ¹
INPATIENT HOSPITAL	20% of R&C amount ¹
X-RAY AND LAB	20% of R&C amount ¹
URGENT CARE VISIT	20% of R&C amount ¹
EMERGENCY ROOM	20% of R&C amount ¹
INPATIENT SURGERY	20% of R&C amount ¹
MATERNITY CARE <ul style="list-style-type: none"> • Prenatal • Delivery 	20% of R&C amount ¹ 20% of R&C amount ¹
PRESCRIPTION DRUGS	
Retail ² <ul style="list-style-type: none"> • Tier 1 (Generic)³ • Tier 2 (Preferred brand name)⁴ • Tier 3 (Non-preferred brand name)⁴ 	25%, \$10 min., \$30 max. copay 25%, \$20 min., \$60 max. copay 25%, \$35 min., \$90 max. copay
Mail-Order <ul style="list-style-type: none"> • Tier 1 (Generic)³ • Tier 2 (Preferred brand name)⁴ • Tier 3 (Non-preferred brand name)⁴ 	25%, \$20 min., \$60 max. copay 25%, \$40 min., \$120 max. copay 25%, \$70 min., \$180 max. copay
CHIROPRACTIC CARE	20% of R&C amount ¹ (20-visit max/calendar year)
MENTAL HEALTH/SUBSTANCE ABUSE <ul style="list-style-type: none"> • Inpatient • Outpatient 	20% of R&C amount ¹ SMI: ⁵ 20% of R&C amount ¹ Non-SMI: ⁵ 50% of R&C amount ¹
Then, if you meet the annual out-of-pocket maximum, the plan will pay 100% of the cost of covered services for the remainder of the plan year...	
ANNUAL OUT-OF-POCKET MAXIMUM	\$3,200/person ⁶ \$6,400/family ⁶

¹ You're responsible for any charges above the reasonable and customary (R&C) amount. The R&C amount is based on what 70% of the providers in your geographic area charge for a given service.

² Up to a 31-day supply.

³ Some brand-name drugs fall into this tier.

⁴ Some high-cost generic drugs fall into this tier.

⁵ SMI: Severe Mental Illness, including Serious Emotional Disturbances of a Child.

⁶ Same-sex domestic partner coverage is also available. In CA, opposite-sex domestic partner coverage is available if one partner is over age 62.

⁷ Coverage is paid on an after-tax basis.

⁸ Annual Deductible does not apply to the Annual Out-of-Pocket Maximum.

NOTE: There are certain in-network doctor's visits that are not subject to the deductible; instead coinsurance would apply:

- Preferred physician and specialist office visits
- Family planning services, including counseling and consultation services, and injectable contraceptives
- Occupational, physical and speech therapy
- Cardiac and pulmonary rehabilitation
- Acupuncture
- Accidental dental
- Injections (professionally assisted)
- Mental health/substance abuse

Covered services (except for laboratory and X-ray services) received during or in connection with a preferred physician or specialist office visit are subject to the calendar year deductible.

DENTAL PLAN COMPARISON CHART

Check your enrollment worksheet to see which plans are available in your geographic area. You may enroll in a dental plan without enrolling in a medical plan.

	CIGNA Dental Care HMO ¹	CIGNA Dental Care PPO ²	
		In-Network	Out-of-Network ³
2015 DENTAL PLAN PREMIUMS	\$140 \$140 \$110	\$140 \$140 \$110	\$140 \$140 \$110
First, some plans require that you meet an annual deductible before the plan pays benefits...			
CALENDAR-YEAR DEDUCTIBLE	None	\$25/person; \$75/family	\$50/person; \$100/family
Next, your care will be covered at no charge, or you'll pay either a copay or coinsurance for covered services...			
DIAGNOSTIC/PREVENTIVE SERVICES • Preventive Care • Oral Exams • X-rays	No charge ^{5,6} No charge No charge	No charge (deductible waived) No charge (deductible waived) No charge (deductible waived)	20% (deductible waived) 20% (deductible waived) 20% (deductible waived)
BASIC SERVICES • Oral Surgery • Restorative (Fillings) • Endodontics (Root Canals)	\$0 – \$95 copay \$0 – \$95 copay Up to \$355 copay	10% 10% 10%	20% 20% 20%
MAJOR SERVICES • Crowns and Bridges • Dentures	Up to \$465 per unit \$475 – \$615 copay	40% 40%	50% 50%
ORTHODONTIA • Adolescent Benefit (to age 19) • Adult Benefit • Lifetime Maximum	\$1,700 copay ⁷ \$2,100 copay ⁷ None	\$1,000 Not covered	
Then, for some plans, if you meet the calendar-year maximum, you'll be responsible for 100% of the cost for the remainder of the plan year...			
CALENDAR-YEAR MAXIMUM BENEFIT	Unlimited	\$1,500/person	\$1,000/person

¹ Copays vary by type of service. The CIGNA Dental Care HMO isn't available in Maine, Montana, Nevada, New Hampshire, New Mexico, North Dakota, South Dakota, Vermont, and Wyoming.

² The CIGNA Dental Care PPO network of providers is limited in North Dakota and South Dakota.

³ CIGNA Dental Care PPO out-of-network benefits in Texas may differ from those presented in this chart. Please contact CIGNA for details.

⁴ If the Dental Care HMO and Dental Care PPO are both unavailable in your location, a Dental Out-of-Area Plan will be offered at the Dental Care PPO rate.

⁵ There is a \$10 copay per tooth for sealants and a \$95 copay for space maintainers.

⁶ There is a \$30 copay (child) or a \$45 copay (adult) for prophylaxis more frequently than once per six months.

⁷ Additional charges for evaluation, treatment plan and some appliances.

⁸ Same-sex domestic partner coverage is also available. In CA, opposite-sex domestic partner coverage is available if one partner is over age 62. Coverage for same-sex domestic partners and/or their dependents is paid on an after-tax basis.

VISION PLAN CHART

Vision Plan — VSP Vision Care (You must enroll in a PETCO medical plan to receive vision coverage; you are automatically enrolled in vision coverage if you elect medical.)		
	In-Network	Out-of-Network
EYE EXAM/FRAMES COPAY ¹	\$20 copay for one annual eye exam	Up to a \$43 reimbursement
FRAMES	Up to a \$120 allowance every 24 months plus 20% off any out-of-pocket costs.	Up to a \$40 reimbursement
STANDARD PLASTIC LENSES ² • Single Vision • Bifocal • Trifocal	\$20 copay \$20 copay \$20 copay	Up to a \$26 reimbursement Up to a \$43 reimbursement Up to a \$60 reimbursement
CONTACT LENSES ² • Conventional • Disposable	\$120 allowance every 12 months \$120 allowance every 12 months	Up to a \$100 reimbursement Up to a \$100 reimbursement
LENS OPTIONS • Scratch Resistant Coating • Ultraviolet Coating • Tint • Standard Polycarbonate • Anti-reflective Coating • Standard Progressive • Other Add-Ons and Services	20% – 25% off retail cost (on average) 20% – 25% off retail cost (on average) 20% – 25% off retail cost (on average) 20% – 25% off retail cost (on average) 20% – 25% off retail cost (on average) 20% – 25% off retail cost (on average) 20% – 25% off retail cost (on average)	Not covered
LASER VISION CORRECTION	Provided at a reduced cost through VSP network doctors and contracted laser surgery centers.	

¹ Covered in full every 12 months from any VSP provider (Polycarbonate lenses covered in full for dependent children).

² In place of eye glasses and frames applied toward contact lens professional fees and materials. 15% discount off professional fees (includes evaluation, fitting, design, and follow-up services). You are eligible for frames 24 months from the date the contact lenses were obtained.

³ Same-sex domestic partner coverage is also available. In CA, opposite-sex domestic partner coverage is available if one partner is over age 62. Coverage for same-sex domestic partners and/or their dependents is paid on an after-tax basis.

INCOME PROTECTION

LIFE INSURANCE AND DISABILITY BENEFITS

Life and Accidental Death and Dismemberment (AD&D) Insurance

LIFE INSURANCE — METLIFE																									
BASIC LIFE INSURANCE	<p>PETCO provides you with Basic Life insurance coverage equal to 1x your annual earnings¹, up to a maximum of \$250,000.</p> <p>Cost: PETCO pays 100% of the cost of your Basic Life insurance coverage. You don't have to enroll for this coverage.</p>																								
SUPPLEMENTAL LIFE INSURANCE	<p>You have the option to enroll in Supplemental Life insurance for yourself.</p> <p>You may choose from the following coverage amounts up to a combined maximum of \$750,000 for Basic and Supplemental life insurance:</p> <ul style="list-style-type: none"> • 1x annual earnings¹ • 2x annual earnings¹ • 3x annual earnings¹ <p>Cost: Follow these steps to determine the cost of your coverage per pay period:</p> <p>STEP 1: Divide the amount of coverage you want by 1,000 STEP 2: Multiply this amount by the monthly cost of coverage for your age → STEP 3: Multiply this amount by 12 and then divide by 26 The result is your cost of coverage per pay period.</p> <p>If you enroll or increase your coverage during Open Enrollment (and you're not newly eligible), you must provide MetLife with a Statement of Health.² If you're newly eligible, you may enroll for coverage equal to 1x, 2x, or 3x annual earnings¹ without providing a Statement of Health to MetLife unless the coverage amount you choose (combined with your Basic Life insurance coverage) exceeds \$375,000.</p> <table border="1"> <thead> <tr> <th>Age</th><th>Monthly cost per \$1,000</th></tr> </thead> <tbody> <tr><td>Under 25</td><td>.05</td></tr> <tr><td>25 to 29</td><td>.06</td></tr> <tr><td>30 to 34</td><td>.08</td></tr> <tr><td>35 to 39</td><td>.09</td></tr> <tr><td>40 to 44</td><td>.11</td></tr> <tr><td>45 to 49</td><td>.17</td></tr> <tr><td>50 to 54</td><td>.28</td></tr> <tr><td>55 to 59</td><td>.45</td></tr> <tr><td>60 to 64</td><td>.66</td></tr> <tr><td>65 to 69</td><td>1.27</td></tr> <tr><td>70 & over³</td><td>2.10</td></tr> </tbody> </table>	Age	Monthly cost per \$1,000	Under 25	.05	25 to 29	.06	30 to 34	.08	35 to 39	.09	40 to 44	.11	45 to 49	.17	50 to 54	.28	55 to 59	.45	60 to 64	.66	65 to 69	1.27	70 & over ³	2.10
Age	Monthly cost per \$1,000																								
Under 25	.05																								
25 to 29	.06																								
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55 to 59	.45																								
60 to 64	.66																								
65 to 69	1.27																								
70 & over ³	2.10																								
SPOUSE ⁴ LIFE INSURANCE (You must elect coverage for yourself to cover your dependents)	<p>You have the option to purchase life insurance for your spouse.⁴ You may choose from the following coverage amounts, up to a maximum of 50% of your own Supplemental Life insurance coverage amount:</p> <ul style="list-style-type: none"> • .5x your annual earnings¹ • 1x annual earnings¹ • 1.5x annual earnings¹ <p>Cost: Follow these steps to determine the cost of coverage per pay period:</p> <p>STEP 1: Divide the amount of coverage you want by 1,000 STEP 2: Multiply this amount by the monthly cost of coverage for your spouse's⁴ age → STEP 3: Multiply this amount by 12 and then divide by 26 The result is your cost of coverage per pay period.</p> <p>If the coverage amount you choose exceeds \$10,000, you must complete and submit a Statement of Health to MetLife.²</p>																								
CHILD LIFE INSURANCE (You must elect coverage for yourself to cover your dependents)	<p>You have the option to purchase life insurance for your child(ren). Your cost of coverage is the same no matter how many children you cover. You may choose from the following coverage amounts for your child(ren):</p> <ul style="list-style-type: none"> • \$5,000 • \$10,000 <p>Cost: The cost is \$.38 per pay period for \$5,000 of coverage and \$.77 per pay period for \$10,000 of coverage.</p>																								
AD&D INSURANCE — METLIFE																									
BASIC AD&D INSURANCE	<p>PETCO provides you with Basic AD&D insurance coverage equal to 1x your annual earnings¹ up to a maximum of \$250,000.</p> <p>Cost: PETCO pays 100% of the cost of your Basic AD&D insurance coverage. You don't have to enroll for this coverage.</p>																								
SUPPLEMENTAL AD&D INSURANCE	<p>You have the option to enroll in Supplemental AD&D insurance for yourself. You may elect a multiple of \$10,000 up to 10 times your salary. The coverage amount you choose may not exceed \$500,000.</p> <p>Cost: The cost is \$.0092 per \$1,000 of coverage per pay period.</p>																								
FAMILY AD&D INSURANCE	<p>When you purchase Supplemental AD&D insurance for yourself, you may also purchase AD&D insurance for your family in coverage amounts as follows:</p> <ul style="list-style-type: none"> • Spouse⁴ only: 50% of your benefit amount • Child(ren) only: 15% of your benefit amount • Family: Spouse⁴ – 40% of your benefit amount; Child(ren) – 10% of your benefit amount <p>Cost: The cost for family coverage is \$.0185 per \$1,000 of coverage per pay period.</p>																								
TRAVEL ACCIDENT INSURANCE — THE HARTFORD																									
TRAVEL ACCIDENT INSURANCE	<p>PETCO provides you with coverage equal to \$250,000 in the event of your accidental death or dismemberment while traveling on Company business.</p> <p>Cost: PETCO pays 100% of the cost of your Travel Accident insurance coverage. You don't have to enroll for this coverage.</p>																								

¹ If applicable, annual earnings include annual bonus pay averaged over 12 months.

² A Statement of Health is a health questionnaire that you may be required to complete and submit to the insurance company before your coverage will be approved.

³ This rate applies to Supplemental Life insurance for associate only. Spouse life coverage ends at age 70.

⁴ Same-sex domestic partner coverage is also available. In CA, opposite-sex domestic partner coverage is available if one partner is over age 62. Coverage for same-sex domestic partners and/or their dependents is paid on an after-tax basis.

LIFE INSURANCE AND DISABILITY BENEFITS (continued)

Disability Insurance — MetLife	
SHORT-TERM DISABILITY (STD) INSURANCE	<p>STD benefits replace 60% of your annual earnings¹ up to a maximum of \$2,000 per week through 180 days of disability. STD benefits begin on the 8th calendar day for illness and the first calendar day for accidents.</p> <p>PETCO pays 100% of the cost of your STD coverage. You don't have to enroll for this coverage.</p>
LONG-TERM DISABILITY (LTD) INSURANCE	<p>LTD benefits replace 60% of your annual earnings¹ up to a maximum of \$11,500 per month after 180 days of disability.</p> <p>PETCO pays 100% of the cost of your LTD coverage. You don't have to enroll for this coverage.</p>

¹ If applicable, annual earnings include bonus pay averaged over 12 months.

OTHER BENEFITS

EMPLOYEE ASSISTANCE PROGRAM (EAP)

HOW IT WORKS	<p>Guidance Resources is available 24/7 and is designed to provide you, your family, and any household members with access to professional guidance and confidential support when stress from family or life in general becomes overwhelming.</p>
WHAT'S COVERED	<p>Administered by ComPsych and 100% paid by PETCO, Guidance Resources offers up to five 50-minute confidential counseling sessions and referrals. These sessions can help with:</p> <ul style="list-style-type: none"> • Drug or alcohol dependency • Emotional problems or stress • Marital, relationship, and family concerns • Child and elder care • Legal and financial concerns • Bereavement <p>Other Guidance Resources include health and wellness articles and information, referrals, answers to general legal questions, child and elder care referral, and financial consultation. You can access these services through (877) EAP-4PET and online. Online services include expert-reviewed articles, self-assessment questionnaires, interactive chats, and message boards. In addition there are directories for child or elder care, legal, and financial professionals. You can link to the EAP website from www.mypetcobenefits.com.</p>

AUTO AND HOME INSURANCE

AUTO AND HOME INSURANCE	<p>PETCO offers you group rates on Auto and Home Insurance through MetLife. These policies cover:</p> <ul style="list-style-type: none"> • Auto • Boat • Recreation Vehicle • Landlord's Rental Dwelling • Renters • Home • Condo • Mobile/Motor Home • Excess Liability • Flood <p>If you choose to apply for Auto or Home Insurance through MetLife Auto & Home, you pay the entire cost of coverage, at discounted rates. For more information on how to apply, please call (800) GET-MET8.</p>
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Please note: Home insurance is not part of this voluntary benefit offering in FL, CA, or MA. Identity Theft Resolution Services are included when you purchase a auto or home policy but may not be available in all states, nor to customers with all types of policy forms. Not available to customers in NC, nor in NH to auto customers.

FLEXIBLE SPENDING ACCOUNTS (FSAs)

HEALTH CARE FSA	<ul style="list-style-type: none"> You may contribute up to \$3,500 per year.¹
DEPENDENT CARE FSA	<ul style="list-style-type: none"> You may contribute up to \$5,000 if you're single, or married and filing a joint tax return.² You may contribute up to \$2,500 if you're married and filing separate tax returns.

¹If you participate in the CDHP, your HRA will pay eligible medical expenses before your FSA. You can request that your FSA pay before the HRA by contacting UHC directly.

²If you're married and filing a joint income tax return, \$5,000 is the maximum combined amount you and your spouse can contribute to a Dependent Care FSA.

RETIREMENT PLANS

401(K) PLAN	<p>Contributions: You may contribute up to 60% of your base pay, up to IRS limits.</p> <p>Match: PETCO matches \$.50 on every dollar you contribute, up to the first 3%.</p> <p>Vesting: Your contributions vest immediately. PETCO's contributions vest at 20% each year.</p>
NON-QUALIFIED DEFERRED COMPENSATION PLAN	<p>Contributions: You may contribute up to 75% of your base pay, up to 100% of your bonus and an amount equal to any 401(k) refund each plan year.</p> <p>Match: PETCO matches \$.50 on every dollar you contribute, up to the first 3% of your base pay (or 6% until you're eligible to enroll in the 401(k) plan) and up to the first 6% of your bonus. There is no match on the 401(k) refund offset contribution.</p> <p>Vesting: You're immediately vested in both your own and PETCO's contributions to the plan.</p>

PAID TIME OFF

PAID TIME OFF (PTO)	<p>The amount of PTO you receive depends on how long you've worked at PETCO. To begin, you receive 10 PTO days at your 4-month anniversary date. Then, you receive your PTO allocation, as follows, at your annual anniversary date:</p> <ul style="list-style-type: none"> 1 – 4 full years: 20 days 5 – 9 full years: 25 days 10 or more full years: 30 days <p>You may not have more than 45 PTO days in your PTO account at any time. Any days that exceed 45, on your anniversary date, will not be credited to your account.</p> <p>Thank You Days: When you reach certain milestone anniversary dates, you'll receive an allocation of Thank You Days. We recognize the following milestone anniversaries:</p> <ul style="list-style-type: none"> 10 Years – 5 Thank You Days 15, 20, 25, 30, and 35 Years – 10 Thank You Days
HOLIDAYS	You receive holiday pay for PETCO designated holidays each year.

ADDITIONAL BENEFITS

BEREAVEMENT LEAVE	PTO for the death of a family member. See the Policies and Procedures online for more information.
JURY DUTY	PTO to serve on a jury. See the Policies and Procedures online for more information.
STORE DISCOUNT	20% discount on most PETCO store merchandise.
DISCOUNTED PET INSURANCE	11% discount on Trupanion dog or cat insurance — when enrolling enter promotion code PC11 to receive discount.

STRETCH YOUR BENEFITS DOLLARS

Here are easy ways you can get the most from your benefits dollars:

- **Take action to stay healthy.** The best way to save money on health care is to not need it in the first place. Take good care of yourself by getting annual physicals, exercising regularly and managing stress.
- **Make informed choices.** Before you buy a prescription drug or have a diagnostic test, make sure you understand why it's needed and how it will help you get better.
- **Think about cost.** Use generic drugs and in-network doctors. Ask how much a treatment costs (and whether there are alternatives) before you make health care decisions. Go online to www.myuhc.com to compare the out-of-pocket costs for each PETCO medical plan before you enroll.
- **Take responsibility for your care.** Value your doctor's opinion, but know that doctors make mistakes just like everyone else. Ask questions if things aren't adding up. If you aren't happy with the service you receive from your doctor, consider finding a new one.

WHAT'S AVAILABLE ON WWW.MYPETCOBENEFITS.COM

- Detailed benefits information year round
- Enroll in benefits
- Important phone numbers and websites
- Visit the healthcare resource center
- Download claim forms from our document library

If you do not enroll when you are first eligible, you will have to wait to enroll until the next annual open enrollment period or within 30 days from a qualifying family life event. If you do not enroll or make changes during the annual open enrollment period, we will maintain your current coverage elections if available (with the exception of any FSA elections which require an annual election).

IMPORTANT PHONE NUMBERS AND WEBSITES

	Group Number ID Number	Phone	Website
HUMAN RESOURCES SERVICE CENTER	Not applicable	(888) 583-6044	Not applicable
IVR ENROLLMENT LINE	Not applicable	(888) 799-3760	www.mypetcobenefits.com
UNITEDHEALTHCARE — Medical plans	Group Number: 711752 ID Number: See your ID card	(800) 996-7276	www.myuhc.com/groups/petco
CIGNA DENTAL CARE — Dental HMO	Group Number: 10047562 ID Number: Your Social Security number (SSN)	((800) 244-6224 (800) 870-3470 (Healthy Rewards)	www.mycigna.com
CIGNA DENTAL CARE — Dental PPO	Group Number: 3214144 ID Number: Your SSN	(800) 244-6224 (800) 870-3470 (Healthy Rewards)	www.mycigna.com
VSP VISION CARE — Vision Plan	Group Number: 12337824 ID Number: Name & Date of Birth	(800) 877-7195	www.vsp.com
UNITEDHEALTHCARE — Flexible Spending Accounts (FSAs)	Group Number: 711753	(800) 996-7276	www.myuhc.com
METLIFE — Short-Term and Long-Term Disability Insurance	Group Number: 118301	(800) 858-6506	www.mybenefits.com
METLIFE — Auto and Home Insurance	Not applicable	(800) GET-MET8 (800) 438-6388	www.metlife.com/mybenefits
METLIFE — Life and AD&D Insurance	Group Number: 118301	(800) 638-6420	www.mybenefits.com
WORLDWIDE ASSISTANCE SERVICES, INC — Travel Insurance	Group Number: GLD-09012	(800) 243-6108 (U.S./Canada) (202) 828-5885 (other)	Not applicable
FIDELITY INVESTMENTS — 401(k) Plan	Plan Number: 49089 Use your SSN to log in and create your own personal identification number (PIN).	(800) 835-5097	www.401k.com
COBRA	TRI-AD COBRA Services	(888) 844-1372, Option 3	Not applicable
ComPsych — EAP	EAP4PET	(877) EAP-4PET	www.guidanceresources.com
QuitPower — UnitedHealthcare	Group Number: 711752 ID Number: See your ID card	(877) 784-8797	www.myuhc.com/groups/petco

This overview of PETCO's benefits programs is not intended to be all-inclusive, nor is it to be used as a summary plan description. In the event of any conflict between this brochure and the official plan documents, the official documents will govern. PETCO reserves the right to change or modify its benefit plans as appropriate without advance notice. This guide does not represent a contract of employment.



Your 2010/2011 **Benefits Overview**

NSC and DC Hourly Associates

Health Care Plans • Life and Accident Insurance Plans • Retirement Plan
Flexible Spending Accounts (FSAs) • Additional Benefits • Associate Rates

Para obtener una versión en español de la información, comuníquese con su representante de Recursos Humanos.

MEDICAL PLAN COMPARISON CHART

Check your enrollment worksheet to see which plans are available in your geographic area.

	Preferred Provider Organization (PPO)		Consumer Driven Health Plan (CDHP)	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	\$4,000 \$1,000 \$1,000 \$0 \$0	\$4,000 \$1,000 \$1,000 \$0 \$0	\$4,000 \$1,000 \$1,000 \$0 \$0	\$4,000 \$1,000 \$1,000 \$0 \$0
	\$2,000,000		\$2,000,000	
	Not applicable		\$500 Associate only \$1,000 Associate + one \$1,000 Associate + family	
	Not applicable		\$100 Associate only \$200 Associate + one \$200 Associate + family	
First the plans require that you meet an annual deductible before the plan pays benefits...				
	\$500/person \$1,000/family	\$2,000/person \$4,000/family	\$1,200 Associate only \$2,400 Associate + one \$2,400 Associate + family	\$4,800 Associate only \$9,600 Associate + one \$9,600 Associate + family
Next, you'll pay either a copay or coinsurance for covered services...				
	20% – PCP 30% – Specialist	50% of R&C amount ² (deductible waived for PCP)	20% – PCP 30% – Specialist	50% of R&C amount ² (deductible waived for PCP)
(Preventive care/annual exams)	Plan pays 100% (deductible waived) ¹	Not Covered	Plan pays 100% (deductible waived)	Not covered
	20%	50% of R&C amount ²	20%	50% of R&C amount ²
	20%	50% of R&C amount ²	20%	50% of R&C amount ²
	\$50 copay	50% of R&C amount ²	\$50 copay	50% of R&C amount ²
	\$100 copay, then 20% (copay waived if admitted)	50% of R&C amount ²	\$100 copay	50% of R&C amount ²
	20%	50% of R&C amount ²	20%	50% of R&C amount ²
• Prenatal • Delivery	20% 20%	50% of R&C amount ² 50% of R&C amount ²	20% 20%	50% of R&C amount ² 50% of R&C amount ²
Retail ³			Preventive drugs covered at \$15 copay (retail) or \$30 copay (mail-order)	
• Tier 1 (Generic) ⁴	25%, \$10 min., \$30 max. copay		25% after deductible, \$100 maximum	
• Tier 2 (Preferred brand name) ⁵	25%, \$20 min., \$60 max. copay		25% after deductible, \$100 maximum	
• Tier 3 (Non-preferred brand name) ⁵	25%, \$35 min., \$90 max. copay		25% after deductible, \$100 maximum	
Mail-Order				
• Tier 1 (Generic) ⁴	25%, \$20 min., \$60 max. copay (in-network only)		25% after deductible, \$200 maximum	
• Tier 2 (Preferred brand name) ⁵	25%, \$40 min., \$120 max. copay (in-network only)		25% after deductible, \$200 maximum	
• Tier 3 (Non-preferred brand name) ⁵	25%, \$70 min., \$180 max. copay (in-network only)		25% after deductible, \$200 maximum	
	20% (20-visit max/calendar year)	50% of allowable amount ² (20-visit max/calendar year)	20% (20-visit max/calendar year)	50% of R&C amount ² (20-visit max/calendar year)
• Inpatient • Outpatient	20% 20% copay/visit	50% of R&C amount ² SMI: ⁶ 50% of R&C amount ² Non-SMI: ⁶ 50% of R&C amount ²	20% 20%	50% of R&C amount ² SMI: ⁶ 50% of R&C amount ² Non-SMI: ⁶ 50% of R&C amount ²
Then, if you meet the annual out-of-pocket maximum, the plan will pay 100% of the cost of covered services for the remainder of the plan year...				
	\$3,200/person ⁷ \$6,400/family ⁷	\$6,750/person ⁷ \$13,500/family ⁷	\$3,700 Associate only ⁷ \$7,400 Associate + one ⁷ \$7,400 Associate + family ⁷	\$7,800 Associate only ⁷ \$15,500 Associate + one ⁷ \$15,500 Associate + family ⁷

¹ For X-ray and lab procedures performed during a physician office visit, you pay 20% (deductible waived).

² You're responsible for any charges above the reasonable and customary (R&C) amount. The R&C amount is based on what 70% of the providers in your geographic area charge for a given service.

³ Up to a 31-day supply.

⁴ Some brand-name drugs fall into this tier.

⁵ Some high-cost generic drugs fall into this tier.

⁶ SMI: Severe Mental Illness, including Serious Emotional Disturbances of a Child.

⁷ Annual Deductible does not apply to the Annual Out-of-Pocket Maximum.

⁸ Same-sex domestic partner coverage is also available. In CA, opposite-sex domestic partner coverage is available if one partner is over age 62.

⁹ Coverage is paid on an after-tax basis.

MEDICAL PLAN COMPARISON CHART

	UnitedHealthcare Out-of-Area
	\$1,200 \$1,500 \$1,800 \$2,000 \$2,500
	\$2,000,000
First the plans require that you meet an annual deductible before the plan pays benefits...	
	\$500/person \$1,000/family
Next, you'll pay either a copay or coinsurance for covered services...	
	20% of R&C amount ¹
(Preventive care/annual exams)	20% of R&C amount ¹
	20% of R&C amount ¹
	20% of R&C amount ¹
	20% of R&C amount ¹
	20% of R&C amount ¹
• Prenatal • Delivery	20% of R&C amount ¹ 20% of R&C amount ¹
Retail ² • Tier 1 (Generic) ³ • Tier 2 (Preferred brand name) ⁴ • Tier 3 (Non-preferred brand name) ⁴	25%, \$10 min., \$30 max. copay 25%, \$20 min., \$60 max. copay 25%, \$35 min., \$90 max. copay
Mail-Order • Tier 1 (Generic) ³ • Tier 2 (Preferred brand name) ⁴ • Tier 3 (Non-preferred brand name) ⁴	25%, \$20 min., \$60 max. copay 25%, \$40 min., \$120 max. copay 25%, \$70 min., \$180 max. copay
	20% of R&C amount ¹ (20-visit max/calendar year)
• Inpatient • Outpatient	20% of R&C amount ¹ SMI: ⁵ 20% of R&C amount ¹ Non-SMI: ⁵ 50% of R&C amount ²
Then, if you meet the annual out-of-pocket maximum, the plan will pay 100% of the cost of covered services for the remainder of the plan year...	
	\$3,200/person ⁶ \$6,400/family ⁶

¹ You're responsible for any charges above the reasonable and customary (R&C) amount. The R&C amount is based on what 70% of the providers in your geographic area charge for a given service.

² Up to a 31-day supply.

³ Some brand-name drugs fall into this tier.

⁴ Some high-cost generic drugs fall into this tier.

⁵ Child: Severe Mental Illness, including Serious Emotional Disturbances of a Child.

⁶ Same-sex domestic partner coverage is also available. In CA, opposite-sex domestic partner coverage is available if one partner is over age 62.

⁷ Coverage is paid on an after-tax basis.

⁸ Annual Deductible does not apply to the Annual Out-of-Pocket Maximum.

NOTE: There are certain in-network doctor's visits that are not subject to the deductible; instead coinsurance would apply:

- Preferred physician and specialist office visits
- Family planning services, including counseling and consultation services, and injectable contraceptives
- Occupational, physical and speech therapy
- Cardiac and pulmonary rehabilitation
- Acupuncture
- Accidental dental
- Injections (professionally assisted)
- Mental health/substance abuse

Covered services (except for laboratory and X-ray services) received during or in connection with a preferred physician or specialist office visit are subject to the calendar year deductible.

DENTAL PLAN COMPARISON CHART

Check your enrollment worksheet to see which plans are available in your geographic area. You may enroll in a dental plan without enrolling in a medical plan.

YOUR COST PER YEAR PERIOD	CIGNA Dental Care HMO ¹	CIGNA Dental Care PPO ²	
		In-Network	Out-of-Network ³
Individual	\$4.99		\$7.19
Family	\$8.99		\$14.99
Family (3rd/4th)	\$17.48		\$17.94

First, some plans require that you meet an annual deductible before the plan pays benefits...

None	\$25/person; \$75/family	\$50/person; \$100/family
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Next, your care will be covered at no charge, or you'll pay either a copay or coinsurance for covered services...

<ul style="list-style-type: none">• Preventive Care• Oral Exams• X-rays	No charge ^{5,6} No charge No charge	No charge (deductible waived) No charge (deductible waived) No charge (deductible waived)	20% (deductible waived) 20% (deductible waived) 20% (deductible waived)
<ul style="list-style-type: none">• Oral Surgery• Restorative (Fillings)• Endodontics (Root Canals)	\$0 – \$95 copay \$0 – \$95 copay Up to \$355 copay	10% 10% 10%	20% 20% 20%
<ul style="list-style-type: none">• Crowns and Bridges• Dentures	Up to \$465 per unit \$475 – \$615 copay	40% 40%	50% 50%
<ul style="list-style-type: none">• Adolescent Benefit (to age 19)• Adult Benefit• Lifetime Maximum	\$1,700 copay ⁷ \$2,100 copay ⁷ None		\$1,000 Not covered

Then, for some plans, if you meet the calendar-year maximum, you'll be responsible for 100% of the cost for the remainder of the plan year...

Unlimited	\$1,500/person	\$1,000/person
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¹ Copays vary by type of service. The CIGNA Dental Care HMO isn't available in Maine, Montana, Nevada, New Hampshire, New Mexico, North Dakota, South Dakota, Vermont, and Wyoming.

² The CIGNA Dental Care PPO network of providers is limited in North Dakota and South Dakota.

³ CIGNA Dental Care PPO out-of-network benefits in Texas may differ from those presented in this chart. Please contact CIGNA for details.

⁴ If the Dental Care HMO and Dental Care PPO are both unavailable in your location, a Dental Out-of-Area Plan will be offered at the Dental Care PPO rate.

⁵ There is a \$10 copay per tooth for sealants and a \$95 copay for space maintainers.

⁶ There is a \$30 copay (child) or a \$45 copay (adult) for prophylaxis more frequently than once per six months.

⁷ Additional charges for evaluation, treatment plan and some appliances.

⁸ Same-sex domestic partner coverage is also available. In CA, opposite-sex domestic partner coverage is available if one partner is over age 62. Coverage for same-sex domestic partners and/or their dependents is paid on an after-tax basis.

VISION PLAN CHART

Vision Plan — VSP Vision Care (You must enroll in a PECO medical plan to receive vision coverage; you are automatically enrolled in vision coverage if you elect medical.)		
YOUR COST PER YEAR PERIOD	Associate only: \$1.57	Associate + family: \$3.15
	Associate only: \$1.57	Associate + family: \$3.15
Individual	\$20 copay for one annual eye exam	
Family	Up to a \$43 reimbursement	
CONTACT LENSES	Up to a \$120 allowance every 24 months plus 20% off any out-of-pocket costs.	
	Up to a \$40 reimbursement	
REFRACTION		
<ul style="list-style-type: none"> Single Vision Bifocal Trifocal 	\$20 copay	
	\$20 copay	
	\$20 copay	
<ul style="list-style-type: none"> Conventional Disposable 	\$120 allowance every 12 months	
	\$120 allowance every 12 months	
<ul style="list-style-type: none"> Scratch Resistant Coating Ultraviolet Coating Tint Standard Polycarbonate Anti-reflective Coating Standard Progressive Other Add-Ons and Services 	20% – 25% off retail cost (on average)	
	20% – 25% off retail cost (on average)	
	20% – 25% off retail cost (on average)	
	20% – 25% off retail cost (on average)	
	20% – 25% off retail cost (on average)	
	20% – 25% off retail cost (on average)	
	20% – 25% off retail cost (on average)	

Provided at a reduced cost through VSP network doctors and contracted laser surgery centers.

¹ Covered in full every 12 months from any VSP provider (Polycarbonate lenses covered in full for dependent children).

² In place of eye glasses and frames applied toward contact lens professional fees and materials. 15% discount off professional fees (includes evaluation, fitting, design, and follow-up services). You are eligible for frames 24 months from the date the contact lenses were obtained.

³ Same-sex domestic partner coverage is also available. In CA, opposite-sex domestic partner coverage is available if one partner is over age 62. Coverage for same-sex domestic partners and/or their dependents is paid on an after-tax basis.

LIFE AND ACCIDENT INSURANCE

LIFE AND ACCIDENT INSURANCE BENEFITS

Life and Accidental Death and Dismemberment (AD&D) Insurance

LIFE & AD&D INSURANCE — METLIFE

	PETCO provides you with Basic Life insurance coverage equal to \$25,000. Cost: PETCO pays 100% of the cost of your Basic Life insurance coverage. You don't have to enroll for this coverage.
	PETCO provides you with Basic AD&D insurance coverage equal to \$25,000. Cost: PETCO pays 100% of the cost of your Basic AD&D insurance coverage. You don't have to enroll for this coverage.

EMPLOYEE ASSISTANCE PROGRAM (EAP)

24/7	Guidance Resources is available 24/7 and is designed to provide you, your family, and any household members with access to professional guidance and confidential support when stress from family or life in general becomes overwhelming.
50-MINUTE	<p>Administered by ComPsych and 100% paid by PETCO, Guidance Resources offers up to five 50-minute confidential counseling sessions and referrals. These sessions can help with:</p> <ul style="list-style-type: none"> • Drug or alcohol dependency • Emotional problems or stress • Marital, relationship, and family concerns • Child and elder care • Legal and financial concerns • Bereavement <p>Other Guidance Resources include health and wellness articles and information, referrals, answers to general legal questions, child and elder care referral, and financial consultation. You can access these services through (877) EAP-4PET and online. Online services include expert-reviewed articles, self-assessment questionnaires, interactive chats, and message boards. In addition there are directories for child or elder care, legal, and financial professionals. You can link to the EAP website from www.mypetcobenefits.com.</p>

AUTO AND HOME INSURANCE

AUTO & HOME INSURANCE	<p>PETCO offers you group rates on Auto and Home Insurance through MetLife. These policies cover:</p> <ul style="list-style-type: none"> • Auto • Boat • Recreation Vehicle • Landlord's Rental Dwelling • Renters • Home • Condo • Mobile/Motor Home • Excess Liability • Flood <p>If you choose to apply for Auto or Home Insurance through MetLife Auto & Home, you pay the entire cost of coverage, at discounted rates. For more information on how to apply, please call (800) GET-MET8.</p>
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Please note: Home insurance is not part of this voluntary benefit offering in FL, CA, or MA. Identity Theft Resolution Services are included when you purchase a auto or home policy but may not be available in all states, nor to customers with all types of policy forms. Not available to customers in NC, nor in NH to auto customers.

FLEXIBLE SPENDING ACCOUNTS (FSAs)

HEALTH CARE FSA	<ul style="list-style-type: none"> You may contribute up to \$3,500 per year.¹
DEPENDENT CARE FSA	<ul style="list-style-type: none"> You may contribute up to \$5,000 if you're single, or married and filing a joint tax return.² You may contribute up to \$2,500 if you're married and filing separate tax returns.

¹If you participate in the CDHP, your HRA will pay eligible medical expenses before your FSA. You can request that your FSA pay before the HRA by contacting UHC directly.

²If you're married and filing a joint income tax return, \$5,000 is the maximum combined amount you and your spouse can contribute to a Dependent Care FSA.

RETIREMENT PLAN

CONTRIBUTIONS	Contributions: You may contribute up to 60% of your base pay, up to IRS limits.
MATCH	Match: PETCO matches \$.50 on every dollar you contribute, up to the first 6%.
VESTING	Vesting: Your contributions vest immediately. PETCO's contributions vest at 20% each year.

PAID TIME OFF

PAID TIME OFF (PTO)	<p>You're eligible for Paid Time Off (PTO) if you're a PETCO associate who works an average of 20 hours per week. The amount of PTO you receive depends on how long you've worked at PETCO. To begin, you receive 4 PTO days at your 4-month anniversary date based on your average hours worked. Then, you receive your PTO allocation, as follows, at your annual anniversary date:</p> <table> <tr> <td>If you're a Regional/District/Store/Distribution Center associate:</td><td>If you're a National Support Center associate:</td></tr> <tr> <td>• 1 – 4 full years: 18 days</td><td>• 1 – 4 full years: 15 days</td></tr> <tr> <td>• 5 – 9 full years: 23 days</td><td>• 5 – 9 full years: 20 days</td></tr> <tr> <td>• 10 or more full years: 28 days</td><td>• 10 or more full years: 25 days</td></tr> </table> <p>You may not have more than 35 PTO days in your PTO account at any time. Any days that exceed 35, on your anniversary date, will not be credited to your account.</p> <p>Thank You Days: When you reach certain milestone anniversary dates, you'll receive an allocation of Thank You Days. We recognize the following milestone anniversaries:</p> <ul style="list-style-type: none"> • 10 Years – 5 Thank You Days • 15, 20, 25, 30, and 35 Years – 10 Thank You Days 	If you're a Regional/District/Store/Distribution Center associate:	If you're a National Support Center associate:	• 1 – 4 full years: 18 days	• 1 – 4 full years: 15 days	• 5 – 9 full years: 23 days	• 5 – 9 full years: 20 days	• 10 or more full years: 28 days	• 10 or more full years: 25 days
If you're a Regional/District/Store/Distribution Center associate:	If you're a National Support Center associate:								
• 1 – 4 full years: 18 days	• 1 – 4 full years: 15 days								
• 5 – 9 full years: 23 days	• 5 – 9 full years: 20 days								
• 10 or more full years: 28 days	• 10 or more full years: 25 days								
HOLIDAYS	You receive holiday pay for PETCO designated holidays each year.								

ADDITIONAL BENEFITS

SPECIAL EVENT LEAVE	PTO for the death of a family member. See the Policies and Procedures online for more information.
JURY DUTY	PTO to serve on a jury. See the Policies and Procedures online for more information.
STORE DISCOUNT	20% discount on most PETCO store merchandise.
DISCOUNTED PET INSURANCE	11% discount on Trupanion dog or cat insurance — when enrolling enter promotion code PC11 to receive discount.

STRETCH YOUR BENEFITS DOLLARS

Here are easy ways you can get the most from your benefits dollars:

- **Take action to stay healthy.** The best way to save money on health care is to not need it in the first place. Take good care of yourself by getting annual physicals, exercising regularly and managing stress.
- **Make informed choices.** Before you buy a prescription drug or have a diagnostic test, make sure you understand why it's needed and how it will help you get better.
- **Think about cost.** Use generic drugs and in-network doctors. Ask how much a treatment costs (and whether there are alternatives) before you make health care decisions. Go online to www.myuhc.com to compare the out-of-pocket costs for each PETCO medical plan before you enroll.
- **Take responsibility for your care.** Value your doctor's opinion, but know that doctors make mistakes just like everyone else. Ask questions if things aren't adding up. If you aren't happy with the service you receive from your doctor, consider finding a new one.

WHAT'S AVAILABLE ON WWW.MYPETCOBENEFITS.COM

- Detailed benefits information year round
- Enroll in benefits
- Important phone numbers and websites
- Visit the healthcare resource center
- Download claim forms from our document library

If you do not enroll when you are first eligible, you will have to wait to enroll until the next annual open enrollment period or within 30 days from a qualifying family life event. If you do not enroll or make changes during the annual open enrollment period, we will maintain your current coverage elections if available (with the exception of any FSA elections which require an annual election).

IMPORTANT PHONE NUMBERS AND WEBSITES

	Group Number ID Number	Phone	Website
HEALTHCARE RESOURCE SERVICE CENTER	Not applicable	(888) 583-6044	Not applicable
OPEN ENROLLMENT LINE	Not applicable	(888) 799-3760	www.mypetcobenefits.com
UNITEDHEALTHCARE — Medical plans	Group Number: 711752 ID Number: See your ID card	(800) 996-7276	www.myuhc.com/groups/petco
IGNA DENTAL CARE — Dental HMO	Group Number: 10047562 ID Number: Your Social Security number (SSN)	((800) 244-6224 (800) 870-3470 (Healthy Rewards)	www.mycigna.com
IGNA DENTAL CARE — Dental PPO	Group Number: 3214144 ID Number: Your SSN	(800) 244-6224 (800) 870-3470 (Healthy Rewards)	www.mycigna.com
VISION PLAN CARE — Vision Plan	Group Number: 12337824 ID Number: Name & Date of Birth	(800) 877-7195	www.vsp.com
UNITEDHEALTHCARE — Flexible Spending Accounts (FSAs)	Group Number: 711753	(800) 996-7276	www.myuhc.com
MET LIFE — Short-Term and Long-Term Disability Insurance	Group Number: 118301	(800) 858-6506	www.mybenefits.com
MET LIFE — Auto and Home Insurance	Not applicable	(800) GET-MET8 (800) 438-6388	www.metlife.com/mybenefits
MET LIFE — Life and AD&D Insurance	Group Number: 118301	(800) 638-6420	www.mybenefits.com
TRAVELERS GROUP — Travel Insurance	Group Number: GLD-09012	(800) 243-6108 (U.S./Canada) (202) 828-5885 (other)	Not applicable
401(k) PLAN — 401(k) Plan	Plan Number: 49089 Use your SSN to log in and create your own personal identification number (PIN).	(800) 835-5097	www.401k.com
COBRA — COBRA	TRI-AD COBRA Services	(888) 844-1372, Option 3	Not applicable
EAP — EAP	EAP4PET	(877) EAP-4PET	www.guidanceresources.com
UnitedHealthcare — UnitedHealthcare	Group Number: 711752 ID Number: See your ID card	(877) 784-8797	www.myuhc.com/groups/petco

This overview of PETCO's benefits programs is not intended to be all-inclusive, nor is it to be used as a summary plan description. In the event of any conflict between this brochure and the official plan documents, the official documents will govern. PETCO reserves the right to change or modify its benefit plans as appropriate without advance notice. This guide does not represent a contract of employment.



Your 2010/2011 **Benefits Overview**

Officers



Health Care Plans • Income Protection Plans • Retirement Plans
Flexible Spending Accounts (FSAs) • Additional Benefits • Associate Rates

Para obtener una version en español de la información, comuníquese con su representante de Recursos Humanos.

HEALTH CARE PLANS

MEDICAL PLAN COMPARISON CHART

Check your enrollment worksheet to see which plans are available in your geographic area.

	Preferred Provider Organization (PPO)		Consumer Driven Health Plan (CDHP)	
	In-Network	Out-of-Network	In-Network	Out-of-Network
	\$500 \$1,000 \$2,000 \$4,000 \$500 \$1,000 \$2,000 \$4,000		\$1,200 \$1,200 \$1,200 \$1,200 \$1,200 \$1,200 \$1,200 \$1,200	
LIFETIME MAXIMUM	\$2,000,000		\$2,000,000	
HEALTH REIMBURSEMENT ACCOUNT (HRA)	Not applicable		\$500 Associate only \$1,000 Associate + one \$1,000 Associate + family	
WELLNESS INCENTIVE ADDED TO HRA	Not applicable		\$100 Associate only \$200 Associate + one \$200 Associate + family	
First the plans require that you meet an annual deductible before the plan pays benefits...				
CALENDAR-YEAR DEDUCTIBLE	\$500/person \$1,000/family	\$2,000/person \$4,000/family	\$1,200 Associate only \$2,400 Associate + one \$2,400 Associate + family	\$4,800 Associate only \$9,600 Associate + one \$9,600 Associate + family
Next, you'll pay either a copay or coinsurance for covered services...				
PHYSICIAN OFFICE VISIT	20% – PCP 30% – Specialist	50% of R&C amount ² (deductible waived for PCP)	20% – PCP 30% – Specialist	50% of R&C amount ² (deductible waived for PCP)
ROUTINE HEALTH SCREENING (Preventive care/annual exams)	Plan pays 100% (deductible waived) ¹	Not Covered	Plan pays 100% (deductible waived)	Not covered
INPATIENT HOSPITAL	20%	50% of R&C amount ²	20%	50% of R&C amount ²
X-RAY AND LAB	20%	50% of R&C amount ²	20%	50% of R&C amount ²
URGENT CARE VISIT	\$50 copay	50% of R&C amount ²	\$50 copay	50% of R&C amount ²
EMERGENCY ROOM	\$100 copay, then 20% (copay waived if admitted)	20% of R&C amount ²	\$100 copay	50% of R&C amount ²
INPATIENT SURGERY	20%	50% of R&C amount ²	20%	50% of R&C amount ²
MATERNITY CARE • Prenatal • Delivery	20% 20%	50% of R&C amount ² 50% of R&C amount ²	20% 20%	50% of R&C amount ² 50% of R&C amount ²
PRESCRIPTION DRUGS			Preventive drugs covered at \$15 copay (retail) or \$30 copay (mail-order)	
Retail ³ • Tier 1 (Generic) ⁴ • Tier 2 (Preferred brand name) ⁵ • Tier 3 (Non-preferred brand name) ⁵	25%, \$10 min., \$30 max. copay 25%, \$20 min., \$60 max. copay 25%, \$35 min., \$90 max. copay		25% after deductible, \$100 maximum 25% after deductible, \$100 maximum 25% after deductible, \$100 maximum	
Mail-Order • Tier 1 (Generic) ⁴ • Tier 2 (Preferred brand name) ⁵ • Tier 3 (Non-preferred brand name) ⁵	25%, \$20 min., \$60 max. copay (in-network only) 25%, \$40 min., \$120 max. copay (in-network only) 25%, \$70 min., \$180 max. copay (in-network only)		25% after deductible, \$200 maximum 25% after deductible, \$200 maximum 25% after deductible, \$200 maximum	
CHIROPRACTIC CARE	20% (20-visit max/calendar year)	50% of allowable amount ² (20-visit max/calendar year)	20% (20-visit max/calendar year)	50% of R&C amount ² (20-visit max/calendar year)
MENTAL HEALTH/SUBSTANCE ABUSE • Inpatient • Outpatient	20% 20% copay/visit	50% of R&C amount ² SMI: ⁶ 50% of R&C amount ² Non-SMI: ⁶ 50% of R&C amount ²	20% 20%	50% of R&C amount ² SMI: ⁶ 50% of R&C amount ² Non-SMI: ⁶ 50% of R&C amount ²
Then, if you meet the annual out-of-pocket maximum, the plan will pay 100% of the cost of covered services for the remainder of the plan year...				
ANNUAL OUT-OF-POCKET MAXIMUM	\$3,200/person ⁷ \$6,400/family ⁷	\$6,750/person ⁷ \$13,500/family ⁷	\$3,700 Associate only ⁷ \$7,400 Associate + one ⁷ \$7,400 Associate + family ⁷	\$7,800 Associate only ⁷ \$15,500 Associate + one ⁷ \$15,500 Associate + family ⁷

¹ For X-ray and lab procedures performed during a physician office visit, you pay 20% (deductible waived).

² You're responsible for any charges above the reasonable and customary (R&C) amount. The R&C amount is based on what 70% of the providers in your geographic area charge for a given service.

³ Up to a 31-day supply.

⁴ Some brand-name drugs fall into this tier.

⁵ Some high-cost generic drugs fall into this tier.

⁶ SMI: Severe Mental Illness, including Serious Emotional Disturbances of a Child.

⁷ Annual Deductible does not apply to the Annual Out-of-Pocket Maximum.

⁸ Same-sex domestic partner coverage is also available. In CA, opposite-sex domestic partner coverage is available if one partner is over age 62.

⁹ Coverage is paid on an after-tax basis.

MEDICAL PLAN COMPARISON CHART

	UnitedHealthcare Out-of-Area
	\$51.58 \$735.91 \$188.13 \$50 \$10
LIFETIME MAXIMUM	\$2,000,000
First the plans require that you meet an annual deductible before the plan pays benefits...	
CALENDAR-YEAR DEDUCTIBLE	\$500/person \$1,000/family
Next, you'll pay either a copay or coinsurance for covered services...	
PHYSICIAN OFFICE VISIT [#]	20% of R&C amount ¹
ROUTINE HEALTH SCREENING (Preventive care/annual exams)	20% of R&C amount ¹
INPATIENT HOSPITAL	20% of R&C amount ¹
X-RAY AND LAB	20% of R&C amount ¹
URGENT CARE VISIT	20% of R&C amount ¹
EMERGENCY ROOM	20% of R&C amount ¹
INPATIENT SURGERY	20% of R&C amount ¹
MATERNITY CARE <ul style="list-style-type: none"> • Prenatal • Delivery 	20% of R&C amount ¹ 20% of R&C amount ¹
PRESCRIPTION DRUGS Retail ² <ul style="list-style-type: none"> • Tier 1 (Generic)³ • Tier 2 (Preferred brand name)⁴ • Tier 3 (Non-preferred brand name)⁴ Mail-Order <ul style="list-style-type: none"> • Tier 1 (Generic)³ • Tier 2 (Preferred brand name)⁴ • Tier 3 (Non-preferred brand name)⁴ 	25%, \$10 min., \$30 max. copay 25%, \$20 min., \$60 max. copay 25%, \$35 min., \$90 max. copay 25%, \$20 min., \$60 max. copay 25%, \$40 min., \$120 max. copay 25%, \$70 min., \$180 max. copay
CHIROPRACTIC CARE	20% of R&C amount ¹ (20-visit max/calendar year)
MENTAL HEALTH/SUBSTANCE ABUSE <ul style="list-style-type: none"> • Inpatient • Outpatient 	20% of R&C amount ¹ SMI: ⁵ 20% of R&C amount ¹ Non-SMI: ⁵ 50% of R&C amount ²
Then, if you meet the annual out-of-pocket maximum, the plan will pay 100% of the cost of covered services for the remainder of the plan year...	
ANNUAL OUT-OF-POCKET MAXIMUM	\$3,200/person ⁶ \$6,400/family ⁶

¹ You're responsible for any charges above the reasonable and customary (R&C) amount. The R&C amount is based on what 70% of the providers in your geographic area charge for a given service.

² Up to a 31-day supply.

³ Some brand-name drugs fall into this tier.

⁴ Some high-cost generic drugs fall into this tier.

⁵ SMI: Severe Mental Illness, including Serious Emotional Disturbances of a Child.

⁶ Same-sex domestic partner coverage is also available. In CA, opposite-sex domestic partner coverage is available if one partner is over age 62.

⁷ Coverage is paid on an after-tax basis.

⁸ Annual Deductible does not apply to the Annual Out-of-Pocket Maximum.

NOTE: There are certain in-network doctor's visits that are not subject to the deductible; instead coinsurance would apply:

- Preferred physician and specialist office visits
- Family planning services, including counseling and consultation services, and injectable contraceptives
- Occupational, physical and speech therapy
- Cardiac and pulmonary rehabilitation
- Acupuncture
- Accidental dental
- Injections (professionally assisted)
- Mental health/substance abuse

Covered services (except for laboratory and X-ray services) received during or in connection with a preferred physician or specialist office visit are subject to the calendar year deductible.

DENTAL PLAN COMPARISON CHART

Check your enrollment worksheet to see which plans are available in your geographic area. You may enroll in a dental plan without enrolling in a medical plan.

	CIGNA Dental Care HMO ^{1,4}		CIGNA Dental Care PPO ^{2,4}	
			In-Network	Out-of-Network ³
YOUR COSTS/PAY PERIOD				
Annual Deductible	\$1,400		\$713	
Annual Out-of-Pocket Maximum	\$1,400		\$1,400	
Annual Copay	\$11.40		\$12.46	
First, some plans require that you meet an annual deductible before the plan pays benefits...				
CALENDAR-YEAR DEDUCTIBLE	None		\$25/person; \$75/family	\$50/person; \$100/family
Next, your care will be covered at no charge, or you'll pay either a copay or coinsurance for covered services...				
DIAGNOSTIC/PREVENTIVE SERVICES				
• Preventive Care	No charge ^{5,6}		No charge (deductible waived)	20% (deductible waived)
• Oral Exams	No charge		No charge (deductible waived)	20% (deductible waived)
• X-rays	No charge		No charge (deductible waived)	20% (deductible waived)
BASIC SERVICES				
• Oral Surgery	\$0 – \$95 copay		10%	20%
• Restorative (Fillings)	\$0 – \$95 copay		10%	20%
• Endodontics (Root Canals)	Up to \$355 copay		10%	20%
MAJOR SERVICES				
• Crowns and Bridges	Up to \$465 per unit		40%	50%
• Dentures	\$475 – \$615 copay		40%	50%
ORTHODONTIA				
• Adolescent Benefit (to age 19)	\$1,700 copay ⁷		\$1,000	
• Adult Benefit	\$2,100 copay ⁷		Not covered	
• Lifetime Maximum	None			
Then, for some plans, if you meet the calendar-year maximum, you'll be responsible for 100% of the cost for the remainder of the plan year...				
CALENDAR-YEAR MAXIMUM BENEFIT	Unlimited		\$1,500/person	\$1,000/person

¹ Copays vary by type of service. The CIGNA Dental Care HMO isn't available in Maine, Montana, Nevada, New Hampshire, New Mexico, North Dakota, South Dakota, Vermont, and Wyoming.

² The CIGNA Dental Care PPO network of providers is limited in North Dakota and South Dakota.

³ CIGNA Dental Care PPO out-of-network benefits in Texas may differ from those presented in this chart. Please contact CIGNA for details.

⁴ If the Dental Care HMO and Dental Care PPO are both unavailable in your location, a Dental Out-of-Area Plan will be offered at the Dental Care PPO rate.

⁵ There is a \$10 copay per tooth for sealants and a \$95 copay for space maintainers.

⁶ There is a \$30 copay (child) or a \$45 copay (adult) for prophylaxis more frequently than once per six months.

⁷ Additional charges for evaluation, treatment plan and some appliances.

⁸ Same-sex domestic partner coverage is also available. In CA, opposite-sex domestic partner coverage is available if one partner is over age 62. Coverage for same-sex domestic partners and/or their dependents is paid on an after-tax basis.

VISION PLAN CHART

Vision Plan — VSP Vision Care (You must enroll in a PETCO medical plan to receive vision coverage; you are automatically enrolled in vision coverage if you elect medical.)		
	Associate Only: \$1.57	Associate + family: \$5.07
	In-Network	Out-of-Network
EYE EXAM/FRAMES COPAY¹	\$20 copay for one annual eye exam	Up to a \$43 reimbursement
FRAMES	Up to a \$120 allowance every 24 months plus 20% off any out-of-pocket costs	Up to a \$40 reimbursement
STANDARD PLASTIC LENSES²		
• Single Vision	\$20 copay	Up to a \$26 reimbursement
• Bifocal	\$20 copay	Up to a \$43 reimbursement
• Trifocal	\$20 copay	Up to a \$60 reimbursement
CONTACT LENSES²		
• Conventional	\$120 allowance every 12 months	Up to a \$100 reimbursement
• Disposable	\$120 allowance every 12 months	Up to a \$100 reimbursement
LENS OPTIONS		Not covered
• Scratch Resistant Coating	20% – 25% off retail cost (on average)	
• Ultraviolet Coating	20% – 25% off retail cost (on average)	
• Tint	20% – 25% off retail cost (on average)	
• Standard Polycarbonate	20% – 25% off retail cost (on average)	
• Anti-reflective Coating	20% – 25% off retail cost (on average)	
• Standard Progressive	20% – 25% off retail cost (on average)	
• Other Add-Ons and Services	20% – 25% off retail cost (on average)	
LASER VISION CORRECTION	Provided at a reduced cost through VSP network doctors and contracted laser surgery centers.	

¹ Covered in full every 12 months from any VSP provider (Polycarbonate lenses covered in full for dependent children).

² In place of eye glasses and frames applied toward contact lens professional fees and materials. 15% discount off professional fees (includes evaluation, fitting, design, and follow-up services). You are eligible for frames 24 months from the date the contact lenses were obtained.

³ Same-sex domestic partner coverage is also available. In CA, opposite-sex domestic partner coverage is available if one partner is over age 62. Coverage for same-sex domestic partners and/or their dependents is paid on an after-tax basis.

INCOME PROTECTION

LIFE INSURANCE AND DISABILITY BENEFITS

Life and Accidental Death and Dismemberment (AD&D) Insurance

LIFE INSURANCE — METLIFE																									
BASIC LIFE INSURANCE	<p>PETCO provides you with Basic Life insurance coverage equal to 3x your annual earnings¹, up to a maximum of \$1 million.</p> <p>Cost: PETCO pays 100% of the cost of your Basic Life insurance coverage. You don't have to enroll for this coverage.</p>																								
SUPPLEMENTAL LIFE INSURANCE	<p>You have the option to enroll in Supplemental Life insurance for yourself.</p> <p>You may choose from the following coverage amounts up to a combined maximum of \$1.5 million for Basic and Supplemental life insurance:</p> <ul style="list-style-type: none"> • 1x annual earnings¹ • 2x annual earnings¹ • 3x annual earnings¹ <p>Cost: Follow these steps to determine the cost of your coverage per pay period:</p> <p>STEP 1: Divide the amount of coverage you want by 1,000</p> <p>STEP 2: Multiply this amount by the monthly cost of coverage for your age →</p> <p>STEP 3: Multiply this amount by 12 and then divide by 26</p> <p>The result is your cost of coverage per pay period.</p> <p>If you enroll or increase your coverage during Open Enrollment (and you're not newly eligible), you <u>must</u> provide MetLife with a Statement of Health.² If you're newly eligible, you may enroll for coverage equal to 1x, 2x, or 3x annual earnings¹ <u>without</u> providing a Statement of Health to MetLife unless the coverage amount you choose (combined with your Basic Life insurance coverage) exceeds \$1 million.</p> <table border="1"> <thead> <tr> <th>Age</th><th>Monthly cost per \$1,000</th></tr> </thead> <tbody> <tr><td>Under 25</td><td>.05</td></tr> <tr><td>25 to 29</td><td>.06</td></tr> <tr><td>30 to 34</td><td>.08</td></tr> <tr><td>35 to 39</td><td>.09</td></tr> <tr><td>40 to 44</td><td>.11</td></tr> <tr><td>45 to 49</td><td>.17</td></tr> <tr><td>50 to 54</td><td>.28</td></tr> <tr><td>55 to 59</td><td>.45</td></tr> <tr><td>60 to 64</td><td>.66</td></tr> <tr><td>65 to 69</td><td>1.27</td></tr> <tr><td>70 & over³</td><td>2.10</td></tr> </tbody> </table>	Age	Monthly cost per \$1,000	Under 25	.05	25 to 29	.06	30 to 34	.08	35 to 39	.09	40 to 44	.11	45 to 49	.17	50 to 54	.28	55 to 59	.45	60 to 64	.66	65 to 69	1.27	70 & over ³	2.10
Age	Monthly cost per \$1,000																								
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70 & over ³	2.10																								
SPOUSE ⁴ LIFE INSURANCE (You must elect coverage for yourself to cover your dependents)	<p>You have the option to purchase life insurance for your spouse.⁴ You may choose from the following coverage amounts, up to a maximum of 50% of your own Supplemental Life insurance coverage amount:</p> <ul style="list-style-type: none"> • .5x your annual earnings¹ • 1x annual earnings¹ • 1.5x annual earnings¹ <p>Cost: Follow these steps to determine the cost of coverage per pay period:</p> <p>STEP 1: Divide the amount of coverage you want by 1,000</p> <p>STEP 2: Multiply this amount by the monthly cost of coverage for your spouse's⁴ age →</p> <p>STEP 3: Multiply this amount by 12 and then divide by 26</p> <p>The result is your cost of coverage per pay period.</p> <p>If the coverage amount you choose exceeds \$10,000, you must complete and submit a Statement of Health to MetLife.²</p>																								
CHILD LIFE INSURANCE (You must elect coverage for yourself to cover your dependents)	<p>You have the option to purchase life insurance for your child(ren). Your cost of coverage is the same no matter how many children you cover. You may choose from the following coverage amounts for your child(ren):</p> <ul style="list-style-type: none"> • \$5,000 • \$10,000 <p>Cost: The cost is \$.38 per pay period for \$5,000 of coverage and \$.77 per pay period for \$10,000 of coverage.</p>																								
AD&D INSURANCE — METLIFE																									
BASIC AD&D INSURANCE	<p>PETCO provides you with Basic AD&D insurance coverage equal to 3x your annual earnings¹ up to a maximum of \$1 million.</p> <p>Cost: PETCO pays 100% of the cost of your Basic AD&D insurance coverage. You don't have to enroll for this coverage.</p>																								
SUPPLEMENTAL AD&D INSURANCE	<p>You have the option to enroll in Supplemental AD&D insurance for yourself. You may elect a multiple of \$10,000 up to 10 times your salary. The coverage amount you choose may not exceed \$500,000.</p> <p>Cost: The cost is \$.0092 per \$1,000 of coverage per pay period.</p>																								
FAMILY AD&D INSURANCE	<p>When you purchase Supplemental AD&D insurance for yourself, you may also purchase AD&D insurance for your family in coverage amounts as follows:</p> <ul style="list-style-type: none"> • Spouse⁴ only: 50% of your benefit amount • Child(ren) only: 15% of your benefit amount • Family: Spouse⁴ – 40% of your benefit amount; Child(ren) – 10% of your benefit amount <p>Cost: The cost for family coverage is \$.0185 per \$1,000 of coverage per pay period.</p>																								
TRAVEL ACCIDENT INSURANCE — THE HARTFORD																									
TRAVEL ACCIDENT INSURANCE	<p>PETCO provides you with coverage equal to \$500,000 in the event of your accidental death or dismemberment while traveling on Company business. The spouse or domestic partner of an officer who travels with him or her on Company business is eligible for \$100,000 in coverage.</p> <p>Cost: PETCO pays 100% of the cost of your Travel Accident insurance coverage. You don't have to enroll for this coverage.</p>																								

¹ If applicable, annual earnings include annual bonus pay averaged over 12 months.

² A Statement of Health is a health questionnaire that you may be required to complete and submit to the insurance company before your coverage will be approved.

³ This rate applies to Supplemental Life insurance for associate only. Spouse life coverage ends at age 70.

⁴ Same-sex domestic partner coverage is also available. In CA, opposite-sex domestic partner coverage is available if one partner is over age 62. Coverage for same-sex domestic partners and/or their dependents is paid on an after-tax basis.

LIFE INSURANCE AND DISABILITY BENEFITS (continued)

Disability Insurance	
SHORT-TERM DISABILITY (STD) INSURANCE	<p>STD benefits replace 67% of your annual earnings¹ up to a maximum of \$3,500 per week through 180 days of disability. STD benefits begin on the 8th calendar day for illness and the first calendar day for accidents.</p> <p>PETCO pays 100% of the cost of your STD coverage. You don't have to enroll for this coverage.</p>
LONG-TERM DISABILITY (LTD) INSURANCE	<p>LTD benefits replace 67% of your annual earnings¹ up to a maximum of \$22,000 per month after 180 days of disability.</p> <p>PETCO pays 100% of the cost of your LTD coverage. You don't have to enroll for this coverage.</p>

¹ If applicable, annual earnings include bonus pay averaged over 12 months.

OTHER BENEFITS

EMPLOYEE ASSISTANCE PROGRAM (EAP)

HOW IT WORKS	Guidance Resources is available 24/7 and is designed to provide you, your family, and any household members with access to professional guidance and confidential support when stress from family or life in general becomes overwhelming.
WHAT'S COVERED	<p>Administered by ComPsych and 100% paid by PETCO, Guidance Resources offers up to five 50-minute confidential counseling sessions and referrals. These sessions can help with:</p> <ul style="list-style-type: none"> • Drug or alcohol dependency • Emotional problems or stress • Marital, relationship, and family concerns • Child and elder care • Legal and financial concerns • Bereavement <p>Other Guidance Resources include health and wellness articles and information, referrals, answers to general legal questions, child and elder care referral, and financial consultation. You can access these services through (877) EAP-4PET and online. Online services include expert-reviewed articles, self-assessment questionnaires, interactive chats, and message boards. In addition there are directories for child or elder care, legal, and financial professionals. You can link to the EAP website from www.mypetcobenefits.com.</p>

AUTO AND HOME INSURANCE

AUTO AND HOME INSURANCE	<p>PETCO offers you group rates on Auto and Home Insurance through MetLife. These policies cover:</p> <ul style="list-style-type: none"> • Auto • Boat • Recreation Vehicle • Landlord's Rental Dwelling • Renters • Home • Condo • Mobile/Motor Home • Excess Liability • Flood <p>If you choose to apply for Auto or Home Insurance through MetLife Auto & Home, you pay the entire cost of coverage, at discounted rates. For more information on how to apply, please call (800) GET-MET8.</p>
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Please note: Home insurance is not part of this voluntary benefit offering in FL, CA, or MA. Identity Theft Resolution Services are included when you purchase a auto or home policy but may not be available in all states, nor to customers with all types of policy forms. Not available to customers in NC, nor in NH to auto customers.

FLEXIBLE SPENDING ACCOUNTS (FSAs)

HEALTH CARE FSA	<ul style="list-style-type: none"> You may contribute up to \$3,500 per year.¹
DEPENDENT CARE FSA	<ul style="list-style-type: none"> You may contribute up to \$5,000 if you're single, or married and filing a joint tax return.² You may contribute up to \$2,500 if you're married and filing separate tax returns.

¹If you participate in the CDHP, your HRA will pay eligible medical expenses before your FSA. You can request that your FSA pay before the HRA by contacting UHC directly.

²If you're married and filing a joint income tax return, \$5,000 is the maximum combined amount you and your spouse can contribute to a Dependent Care FSA.

RETIREMENT PLANS

401(K) PLAN	<p>Contributions: You may contribute up to 60% of your base pay, up to IRS limits.</p> <p>Match: PETCO matches \$.50 on every dollar you contribute, up to the first 3%.</p> <p>Vesting: Your contributions vest immediately. PETCO's contributions vest at 20% each year.</p>
NON-QUALIFIED DEFERRED COMPENSATION PLAN	<p>Contributions: You may contribute up to 75% of your base pay, up to 100% of your bonus and an amount equal to any 401(k) refund each plan year.</p> <p>Match: PETCO matches \$.50 on every dollar you contribute, up to the first 3% of your base pay (or 6% until you're eligible to enroll in the 401(k) Plan) and up to the first 6% of your bonus. There is no match on the 401(k) refund offset contribution.</p> <p>Vesting: You're immediately vested in both your own and PETCO's contributions to the plan.</p>

PAID TIME OFF

PAID TIME OFF (PTO)	<p>The amount of PTO you receive depends on how long you've worked at PETCO. To begin, you receive 10 PTO days at your 4-month anniversary date. Then, you receive your PTO allocation, as follows, at your annual anniversary date:</p> <ul style="list-style-type: none"> 1 – 4 full years: 20 days 5 – 9 full years: 25 days 10 or more full years: 30 days <p>You may not have more than 45 PTO days in your PTO account at any time. Any days that exceed 45, on your anniversary date, will not be credited to your account.</p> <p>Thank You Days: When you reach certain milestone anniversary dates, you'll receive an allocation of Thank You Days. We recognize the following milestone anniversaries:</p> <ul style="list-style-type: none"> 10 Years – 5 Thank You Days 15, 20, 25, 30, and 35 Years – 10 Thank You Days
HOLIDAYS	You receive holiday pay for PETCO designated holidays each year.

ADDITIONAL BENEFITS

BEREAVEMENT LEAVE	PTO for the death of a family member. See the Policies and Procedures online for more information.
JURY DUTY	PTO to serve on a jury. See the Policies and Procedures online for more information.
STORE DISCOUNT	20% discount on most PETCO store merchandise.
DISCOUNTED PET INSURANCE	11% discount on Trupanion dog or cat insurance — when enrolling enter promotion code PC11 to receive discount.

STRETCH YOUR BENEFITS DOLLARS

Here are easy ways you can get the most from your benefits dollars:

- **Take action to stay healthy.** The best way to save money on health care is to not need it in the first place. Take good care of yourself by getting annual physicals, exercising regularly and managing stress.
- **Make informed choices.** Before you buy a prescription drug or have a diagnostic test, make sure you understand why it's needed and how it will help you get better.
- **Think about cost.** Use generic drugs and in-network doctors. Ask how much a treatment costs (and whether there are alternatives) before you make health care decisions. Go online to www.myuhc.com to compare the out-of-pocket costs for each PETCO medical plan before you enroll.
- **Take responsibility for your care.** Value your doctor's opinion, but know that doctors make mistakes just like everyone else. Ask questions if things aren't adding up. If you aren't happy with the service you receive from your doctor, consider finding a new one.

WHAT'S AVAILABLE ON WWW.MYPETCOBENEFITS.COM

- Detailed benefits information year round
- Enroll in benefits
- Important phone numbers and websites
- Visit the healthcare resource center
- Download claim forms from our document library

If you do not enroll when you are first eligible, you will have to wait to enroll until the next annual open enrollment period or within 30 days from a qualifying family life event. If you do not enroll or make changes during the annual open enrollment period, we will maintain your current coverage elections if available (with the exception of any FSA elections which require an annual election).

IMPORTANT PHONE NUMBERS AND WEBSITES

	Group Number: ID Number	Phone	Website
HUMAN RESOURCES SERVICE CENTER	Not applicable	(888) 583-6044	Not applicable
IVR ENROLLMENT LINE	Not applicable	(888) 799-3760	www.mypetcobenefits.com
UNITEDHEALTHCARE — Medical plans	Group Number: 711752 ID Number: See your ID card	(800) 996-7276	www.myuhc.com/groups/petco
CIGNA DENTAL CARE — Dental HMO	Group Number: 10047562 ID Number: Your Social Security number (SSN)	((800) 244-6224 (800) 870-3470 (Healthy Rewards)	www.mycigna.com
CIGNA DENTAL CARE — Dental PPO	Group Number: 3214144 ID Number: Your SSN	(800) 244-6224 (800) 870-3470 (Healthy Rewards)	www.mycigna.com
VSP VISION CARE — Vision Plan	Group Number: 12337824 ID Number: Name & Date of Birth	(800) 877-7195	www.vsp.com
UNITEDHEALTHCARE — Flexible Spending Accounts (FSAs)	Group Number: 711753	(800) 996-7276	www.myuhc.com
METLIFE — Short-Term and Long-Term Disability Insurance	Group Number: 118301	(800) 858-6506	www.mybenefits.com
METLIFE — Auto and Home Insurance	Not applicable	(800) GET-MET8 (800) 438-6388	www.metlife.com/mybenefits
METLIFE — Life and AD&D Insurance	Group Number: 118301	(800) 638-6420	www.mybenefits.com
WORLDWIDE ASSISTANCE SERVICES, INC — Travel Insurance	Group Number: GLD-09012	(800) 243-6108 (U.S./Canada) (202) 828-5885 (other)	Not applicable
FIDELITY INVESTMENTS — 401(k) Plan	Plan Number: 49089 Use your SSN to log in and create your own personal identification number (PIN).	(800) 835-5097	www.401k.com
COBRA	TRI-AD COBRA Services	(888) 844-1372, Option 3	Not applicable
ComPsych — EAP	EAP4PET	(877) EAP-4PET	www.guidanceresources.com
QuitPower — UnitedHealthcare	Group Number: 711752 ID Number: See your ID card	(877) 784-8797	www.myuhc.com/groups/petco

This overview of PETCO's benefits programs is not intended to be all-inclusive, nor is it to be used as a summary plan description. In the event of any conflict between this brochure and the official plan documents, the official documents will govern. PETCO reserves the right to change or modify its benefit plans as appropriate without advance notice. This guide does not represent a contract of employment.

EXHIBIT D

THE UNITED STATES CONGRESS HAS ENACTED VARIOUS LAWS GOVERNING THE EMPLOYMENT RELATIONSHIP BETWEEN EMPLOYERS AND EMPLOYEES INCLUDING, BUT NOT LIMITED TO, TITLE VII OF THE CIVIL RIGHTS ACT OF 1964, THE AMERICAN DISABILITIES ACT, THE AGE DISCRIMINATION IN EMPLOYMENT ACT, THE NATIONAL LABOR RELATIONS ACT, THE FAIR LABOR STANDARDS ACT, THE OCCUPATIONAL SAFETY AND HEALTH ACT, THE EQUAL PAY ACT, THE EMPLOYEE POLYGRAPH PROTECTION ACT, THE IMMIGRATION REFORM AND CONTROL ACT, THE CIVIL RIGHTS ACT OF 1991, THE REHABILITATION ACT OF 1973, THE UNIFORMED SERVICES EMPLOYMENT AND REEMPLOYMENT RIGHTS ACT OF 1994, THE FAMILY AND MEDICAL LEAVE ACT, THE EMPLOYEE RETIREMENT INCOME SECURITY ACT AND THE WORKERS ADJUSTMENT AND RETRAINING NOTIFICATION ACT.

EXHIBIT E

City of San Antonio
International & Economic Development Department
Tax Abatement Reporting Form

Company Name: _____

Reporting Period: _____

Name/Phone/E-mail of Person Preparing Report: _____

Real Property: expenditures associated with real property improvements during reporting period (Verification may include audited financial statement or AIA forms, receipts, invoices, request for payment from a contractor, etc.)

1. Improvements occurring during reporting period

\$

2. Improvements existing prior to reporting period

\$

3. Total real property improvements (Attach supporting documents.)

\$

Personal Property: expenditures associated with personal property improvements during reporting period (Verification may include audited financial statement or receipts, invoices, requests for payment, etc.)

4. Improvements occurring during reporting period

\$

5. Improvements existing prior to reporting period

\$

6. Total personal property improvements (Attach supporting documents -- see above.)

\$

Jobs: full-time (2,080 straight-time paid hours) employment positions as of end date of reporting period (Verification: payroll registers listing all employment positions, dates of hire, hourly wages, etc.)

7. Total number of FT positions at the facility as of date. (Attach supporting documents.)

8. What is the minimum hourly wage paid at the facility to all employees? (Attach supporting documents.)

\$

9. Number of positions that pay \$12.76/hour or above after one year of initiating operations at the facility.

10. Number of positions that pay an annual wage of \$80,000 or above

11. Average annual salary for all employees at the facility.

\$

Additional Contractual Obligations

12. Percent of workforce that is economically disadvantaged (attach information regarding company's good-faith efforts). See Section --- of agreement.

13. Percent of workforce that is local. See Section --- of agreement.

14. Regarding employee benefits, please attach separate sheet demonstrating compliance with Section --- of agreement.

15. Please attach separate sheet detailing information required under Section -- of agreement

Certification

I certify, under penalty of perjury, that the information provided in this report and the attached documents is correct, and that the company has complied with all terms and conditions of its agreement with the City of San Antonio.

Signature: _____

Printed Name: _____

Title: _____

Date: _____

AN ORDINANCE 2012-01-19-0021

AUTHORIZING AGREEMENTS AND ACCEPTING DONATIONS FROM THE PETCO FOUNDATION (THE FOUNDATION) AND PETCO ANIMAL SUPPLIES STORES, INC. (PETCO) IN A CUMULATIVE AMOUNT OF \$1,000,000.00 TO BE PAID OVER THE NEXT FIVE YEARS BEGINNING ON FEBRUARY 1, 2012 AND ENDING ON FEBRUARY 1 2017, WAIVING REQUIREMENTS OF CHAPTER 6 OF THE CITY CODE REGARDING THE NAMING OF FACILITIES, NAMING FACILITIES IN RECOGNITION OF DONATIONS BY THE FOUNDATION AND PETCO, AND ACCEPTING AND APPROPRIATING DONATED OR CONTRIBUTED FUNDS.

* * * * *

WHEREAS, in September 2011, the PETCO Foundation (the Foundation) and PETCO Animal Supplies Stores, Inc. (PETCO) approached the City's Animal Care Services Department (ACS) regarding the facilities being built at Brackenridge park; and

WHEREAS, the Foundation sought opportunities that would provide a legacy for a long-time PETCO employee for his commitment to animal care, by making a donation to ACS to honor his legacy; and

WHEREAS, the Foundation has offered to make a donation to ACS in the amount of \$500,000.00 (paid in \$100,000 installments over 5 years) and in exchange, the City will recognize said donation by naming the adoption facility at Brackenridge park in honor of Paul Jolly, the Executive Director of the Foundation; and

WHEREAS, PETCO has offered to make a donation to ACS in the amount of \$500,000.00 (in \$100,000.00 installments over 5 years) and in exchange, the City will recognize said donation by naming the animal spay and neuter facility and pavilion at Brackenridge park for PETCO; and

WHEREAS, all donations will be dedicated to efforts that enhance animal welfare at ACS; and

WHEREAS, ACS consulted Premier Partnerships (Premier) a firm with experience in the valuation of city facilities and determined that the level of donations was consistent with the fair market value for the naming of such facilities; and

WHEREAS, PETCO and the Foundation are exceptional choices due to their good reputation in San Antonio, particularly in the animal community; and

WHEREAS, this Ordinance acknowledges facility naming regulations under Chapter 6 of the City Code of San Antonio, Texas, and hereby waives said requirements; **NOW THEREFORE:**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. The City Manager or her designee or the Director of the Animal Care Services Department or his designee is authorized to execute an agreement with the PETCO Foundation (the Foundation) and to accept the donation of funds by the Foundation in an amount up to \$500,000.00 to be paid in annual installments of \$100,000.00 beginning on February 1, 2012 and ending on February 1, 2017. A copy of the

agreement in substantially final form is attached hereto and incorporated herein for all purposes as **Attachment I**.

SECTION 2. The City Manager or her designee or the Director of the Animal Care Services Department or his designee is authorized to execute an agreement with PETCO Animal Supplies Stores, Inc. (PETCO) with a term beginning on January 19, 2012 and ending on January 31, 2022, and to accept the donation of funds by PETCO in an amount up to \$500,000.00 to be paid in annual installments of \$100,000.00 beginning on February 1, 2012 and ending on February 1, 2017. A copy of the agreement in substantially final form is attached hereto and incorporated herein for all purposes as **Attachment II**.

SECTION 3. The City Manager or her designee or the Director of the Animal Care Services Department or his designee is further authorized to execute any and all necessary documents to effectuate said agreements and the acceptance of funds.

SECTION 4. City Council approves the "Paul Jolly Center for Animal Adoptions" as the name of the animal adoption facility located at 210 Tuleta for as long as such facility continues to operate as an animal adoption facility, in accordance with the agreement with the Foundation.

SECTION 5. City Council approves the "Petco Spay and Neuter Facility" as the name of the spay and neuter facility located at 210 Tuleta for a period of ten years upon the completion of construction of said facility and the commencement of operations, in accordance with the agreement with PETCO.

SECTION 6. City Council approves the "Petco Pavilion" as the name of the pavilion located at 210 Tuleta for a period of ten years upon the completion of construction of said facility and the commencement of operations, in accordance with the agreement with PETCO.

SECTION 7. City Council waives the naming requirements under Chapter 6 of the City Code of San Antonio, Texas.

SECTION 8. Funds generated under Section 1 of this ordinance will be deposited into Fund 29636000, Internal Order 237000000200 and General Ledger 4502210.

SECTION 9. Funds generated under Section 2 of this ordinance will be deposited into Fund 29636000, Internal Order 237000000201 and General Ledger 4502210.

SECTION 10. The amount of \$100,000.00 is appropriated for this ordinance in Fund 29636000, Cost Center 3707010001 and General Ledger 5201040 and the Fiscal Year 2012 budget, attached hereto and incorporated herein for all purposes as **Attachment III**, is amended to reflect this change.

SECTION 11. The amount of \$50,000.00 is appropriated for this ordinance in Fund 29636000, Cost Center 3708010001 and General Ledger 5201040 and the Fiscal Year 2012 budget is amended to reflect this change.

SECTION 12. The amount of \$50,000.00 is appropriated for this ordinance in Fund 29636000, Cost Center 3708010001 and General Ledger 5202020 and the Fiscal Year 2012 budget is amended to reflect this change.

SECTION 13. The amount of the previously received \$7,000.00 is appropriated for this ordinance in Fund 29636000, Cost Center 3706010001 and General Ledger 5304050 and the Fiscal Year 2012 budget is amended to reflect this change.

SECTION 14. The amount of the previously received \$46,000.00 is appropriated for this ordinance in Fund 29636000, Cost Center 3706010001 and General Ledger 5301010 and the Fiscal Year 2012 budget is amended to reflect this change.

SECTION 15. The amount of the previously received \$7,000.00 is appropriated for this ordinance in Fund 29636000, Cost Center 3706010001 and General Ledger 5202025 and the Fiscal Year 2012 budget is amended to reflect this change.

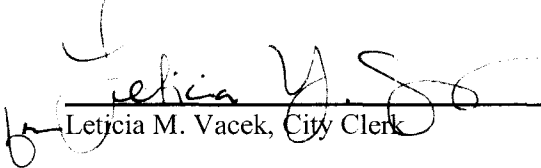
SECTION 16. The financial allocations in this Ordinance are subject to approval by the Director of Finance, City of San Antonio. The Director of Finance may, subject to concurrence by the City Manager or the City Manager's designee, correct allocations to specific SAP Fund Numbers, SAP Project Definitions, SAP WBS Elements, SAP Internal Orders, SAP Fund Centers, SAP Cost Centers, SAP Functional Areas, SAP Funds Reservation Document Numbers, and SAP GL Accounts as necessary to carry out the purpose of this Ordinance.

SECTION 17. This ordinance is effective immediately upon the receipt of eight affirmative votes; otherwise, it is effective ten days after passage.

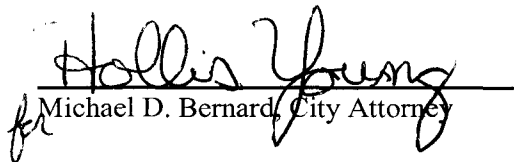
PASSED AND APPROVED this 19th day of January, 2012.

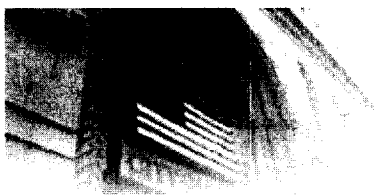

M A Y O R
Julián Castro

ATTEST:


Leticia M. Vacek, City Clerk

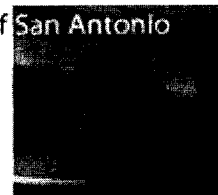
APPROVED AS TO FORM:


Michael D. Bernard, City Attorney



Request for
COUNCIL
ACTION

City of San Antonio



Agenda Voting Results - 5

Name:	5						
Date:	01/19/2012						
Time:	09:42:42 AM						
Vote Type:	Motion to Approve						
Description:	An Ordinance authorizing agreements accepting donations from the PETCO Foundation (Foundation) and PETCO Animal Supplies Stores, Inc. (PETCO) in a cumulative amount of \$1,000,000.00 to be paid over the next five years beginning on February 1, 2012 and ending on February 1, 2017 for animal welfare and rescue efforts; waiving requirements of Chapter 6 of the City Code regarding the naming of facilities; naming facilities in recognition of the Foundation and PETCO donations; and accepting and appropriating donated funds. [Erik Walsh, Deputy City Manager; Joe Angelo, Interim Director, Animal Care Services]						
Result:	Passed						
Voter	Group	Not Present	Yea	Nay	Abstain	Motion	Second
Julián Castro	Mayor		x				
Diego Bernal	District 1		x				
Ivy R. Taylor	District 2		x				
Leticia Ozuna	District 3		x				
Rey Saldaña	District 4		x				x
David Medina Jr.	District 5		x				
Ray Lopez	District 6		x				
Cris Medina	District 7		x				
W. Reed Williams	District 8		x			x	
Elisa Chan	District 9		x				
Carlton Soules	District 10		x				

MEMORANDUM OF AGREEMENT

This Memorandum of Agreement ("the Agreement") is entered into between the Petco Foundation, a 501 (c) (3) charity, (the "Foundation"), and the City of San Antonio ("City"), a Texas Municipal Corporation, on behalf of Animal Care Services ("ACS") (hereinafter collectively referred to as the "Parties").

RECITALS

WHEREAS, the Foundation has committed to donate funds and provide certain accommodations to the City for use by the City in the operations of its group of facilities being built at Brackenridge park (the "Facilities") that are designed to promote the adoption of animals, provide spay and neuter services and offer education to enhance the human-animal bond; and

WHEREAS, the City has agreed to accept the Foundation's donation and to provide the Foundation with certain promotional benefits and privileges during the term of the Agreement; and

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, it is agreed between the parties as follows:

I. PURPOSE

1.1 The Parties have determined that the Foundation will provide a donation of \$500,000.00 to ACS for the Facilities in support of the adoption of animals, the provision of spay and neuter services and education to enhance the human-animal bond, and the City will name a designated facility in recognition of such contribution.

II. TERM

2.1 Unless sooner terminated in accordance with the provisions of this Agreement, the term of this Agreement shall commence on January 19, 2012 and continue in perpetuity, or until such time as the Facilities cease to exist or are no longer used to promote the adoption of animals, provide spay and neuter services or offer education to enhance the human-animal bond at which time this Agreement shall immediately terminate.

III. OBLIGATIONS OF CITY

3.1 The City shall provide the Foundation with the following recognitions, privileges, and accommodations:

3.1.1 The City will name its animal adoption facility located at 210 Tuleta Dr., San Antonio, Texas 78212, San Antonio, Texas, the "Paul Jolly Center for Animal Adoptions" in recognition of the Foundation's financial contribution to the City for said facility, as set out in Section 4.1 below. The name of the facility will remain in place for as long as such facility continues to operate as an animal adoption facility, unless mutually agreed to by the parties. The

specific names and details related to the display of such names (i.e. size, specific wording and construction of the signage) shall be mutually agreed upon by the parties.

3.1.2 The City shall host and participate in a presentation ceremony to be determined by the Foundation and the City during which the Foundation will present the initial contribution specified in Article IV to the City.

3.1.3 The City shall allow the Foundation to utilize the Facility for photo opportunities and small meetings upon advance written approval provided that such meetings do not unreasonably interfere with the on-going operations of the Facility.

3.1.4 The City will investigate the development of external promotional signage and the potential for exposure on City owned venues such as newsletters which will be set out in a subsequent written agreement, as necessary.

IV. OBLIGATIONS OF THE FOUNDATION

4.1 The Foundation shall contribute an amount of \$500,000.00 to be paid in \$100,000.00 installments per year over five years. The funds shall be utilized by the City for programs and efforts to enhance animal welfare in San Antonio. Payments shall be made annually on February 1st beginning on February 1, 2012.

4.2 The Foundation will provide the City with 30 days advance notice with a request to utilize the Facility for photo opportunities and small meetings.

4.3 The Foundation will investigate the development of external promotional signage and the potential for exposure on City owned venues such as newsletters which will be set out in a subsequent written agreement, as necessary.

4.4 The Foundation agrees and understands that the use of the City name, trademark, service mark, logo or copyright in any press release, promotional material or advertisement must be approved by City prior to use, which approval shall not be unreasonably withheld, and that such use may be subject to reasonable conditions as the City may impose.

4.5 The Foundation agrees that it will do nothing which would tend to discredit, dishonor, reflect adversely upon, or in any manner injure the reputation of the City or impair its goodwill.

V. RELATIONSHIP OF PARTIES

5.1 Nothing in this Agreement shall be construed or interpreted as creating a joint venture or legal partnership relationship between the parties. Except as expressly provided by this Agreement, neither party shall have, nor shall it hold itself out as having any right, power, or authority to create any contract or obligation, either express or implied, on behalf of, in the name of, or binding upon the other party, or to pledge the other party's credit or extend credit in the other party's name, unless the other party consents thereto in advance in writing. Neither party shall disseminate any written or oral press releases, advertisements or other communications

representing itself as an authorized representative of the other party. Except as expressly provided herein, neither party shall have the right to exercise any control whatsoever over the activities or operations of the other party.

VI. TERMINATION

6.1 Termination by the City. The City may terminate this Agreement immediately upon written notice to the Foundation in the event:

- (i) the Foundation fails to make any payment as set out within this Agreement; or
- (ii) by its actions or statements, the Foundation materially harms the reputation of the City, as determined by the City in its reasonable judgment; or
- (iii) any court, judicial body, or administrative agency makes a final determination that, following the Effective Date, the Foundation has violated any laws, ordinances, or governmental regulations pertaining to animal welfare, which violation constitutes abuse, mistreatment, or gross or repeated neglect of animals; or
- (iv) the Foundation files for bankruptcy, or sells, assigns or transfers the majority of its assets to another entity, or ceases to operate as a non-profit foundation.

6.2 Termination by the Foundation. The Foundation may terminate this Agreement immediately upon written notice to the City in the event:

- (i) by its actions or statements, the City materially harms the reputation of the Foundation, as determined by the Foundation in its reasonable judgment; or
- (ii) any court, judicial body, or administrative agency makes a final determination that, following the Effective Date, the City has violated any laws, ordinances, or governmental regulations pertaining to animal welfare, which violation constitutes abuse, mistreatment, or gross or repeated neglect of animals.

VII. NOTICE

7.1 Any notice or communication required or permitted hereunder shall be given in writing, sent by (a) personal delivery, or (b) expedited delivery service with proof of delivery, (c) United States mail, postage prepaid, registered or certified mail, or (d) via facsimile, telegram or e-mail, address as follows:

If to the City:

If to the Foundation:

Joe Angelo
Animal Care Services
4710 State Highway 151
San Antonio, TX 78227
Email: joe.angelo@sanantonio.gov

Chief Legal Council
Petco Foundation Legal Department
8945 Rehco Road
San Diego, CA 92121

VIII. APPLICABLE LAW

8.1 THIS AGREEMENT SHALL BE CONSTRUED UNDER AND IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND ALL OBLIGATIONS OF THE PARTIES CREATED HEREUNDER ARE PERFORMABLE IN BEXAR COUNTY, TEXAS.

8.2 Any legal action or proceeding brought or maintained, directly or indirectly, as a result of this Agreement shall be heard and determined in the City of San Antonio, Bexar County, Texas.

IX. COMPLIANCE WITH LAWS

9.1 Each party will comply with all applicable federal, state and local laws, rules and regulations which may apply to the performance of their respective obligations under this Agreement.

X. ASSIGNMENT

10.1 Any attempt to transfer, pledge or otherwise assign this Agreement without prior written approval, shall be void *ab initio* and shall confer no rights upon any third person. Should the Foundation assign, transfer, convey, delegate, or otherwise dispose of any part of all or any part of its right, title or interest in this Agreement, City may, at its option, cancel this Agreement and all rights, titles and interest of the Foundation shall thereupon cease and terminate, in accordance with Article VI. Termination, notwithstanding any other remedy available to City under this Agreement. The violation of this provision by the Foundation shall in no event release the Foundation from any obligation under the terms of this Agreement, nor shall it relieve or release the Foundation from the payment of any damages to City, which City sustains as a result of such violation.

XI. AMENDMENTS

9.1 Except where the terms of this Agreement expressly provide otherwise, any alterations, additions or deletions to the terms hereof, shall be effected by an amendment, in writing, executed by both City and the Foundation.

X. SEVERABILITY

10.1 If any clause or provision of this Agreement is held invalid, illegal or unenforceable under present or future federal, state or local laws, including but not limited to the City Charter, City Code, or ordinances of the City of San Antonio, Texas, then and in that event it is the intention of the parties hereto that such invalidity, illegality or unenforceability shall not affect any other clause or provision hereof and that the remainder of this Agreement shall be construed as if such invalid, illegal or unenforceable clause or provision was never contained herein; it is also the intention of the parties hereto that in lieu of each clause or provision of this Agreement that is invalid, illegal, or unenforceable, there be added as a part of the Agreement a clause or provision as similar in terms to such invalid, illegal or unenforceable clause or provision as may be possible, legal, valid and enforceable.

XI. LEGAL AUTHORITY

11.1 The signer of this Agreement for the Foundation represents, warrants, assures and guarantees that he has full legal authority to execute this Agreement on behalf of the Foundation and to bind the Foundation to all of the terms, conditions, provisions and obligations herein contained.

XII. ENTIRE AGREEMENT

12.1 This Agreement, together with its authorizing ordinance and its exhibits, if any, constitute the final and entire Agreement between the parties hereto and contain all of the terms and conditions agreed upon. No other Agreements, oral or otherwise, regarding the subject matter of this Agreement shall be deemed to exist or to bind the parties hereto, unless same be in writing, dated subsequent to the date hereto, and duly executed by the parties, in accordance with this Agreement. This Agreement shall supersede any and all prior written and oral agreements between the City and the Foundation.

XIII. COUNTERPARTS

13.1 For convenience of the parties hereto, this Agreement may be executed in one or more counterparts, each of which shall be deemed an original for all purposes.

The Petco Foundation

By: Ch. R. Butcher

The City of San Antonio

By: _____

The Petco Foundation

By: D. L. G. _____

Approved as to form:

City Attorney

MEMORANDUM OF AGREEMENT

This Memorandum of Agreement (“the Agreement”) is entered into between Petco Animal Supplies Stores, Inc. (“Petco”), a Delaware corporation, and the City of San Antonio (“City”), a Texas Municipal Corporation, on behalf of Animal Care Services (“ACS”) (hereinafter collectively referred to as the “Parties”).

RECITALS

WHEREAS, Petco has committed to donate funds and provide certain accommodations to the City for use by the City in the operations of its group of facilities being built at Brackenridge park (the “Facilities”) that are designed to promote the adoption of animals, provide spay and neuter services and offer education to enhance the human-animal bond; and

WHEREAS, the City has agreed to accept Petco’s donation and to provide Petco with certain promotional benefits and privileges during the term of the Agreement; and

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, it is agreed between the parties as follows:

I. PURPOSE

1.1 The Parties have determined that Petco will provide a donation of \$500,000.00 to ACS for the Facilities in support of the adoption of animals, the provision of spay and neuter services and education to enhance the human-animal bond, and the City will name designated facilities and areas in recognition of such contribution.

II. TERM

2.1 Unless sooner terminated in accordance with the provisions of this Agreement, the term of this Agreement shall commence on January 19, 2012 and terminate on January 31, 2022. The parties agree and understand that the term applicable to the naming of facilities in recognition of the Petco contribution under this Agreement shall be ten (10) years and commence upon the completion of construction and the beginning of operations of the facilities as identified in Section 3.1.1 below.

III. OBLIGATIONS OF CITY

3.1 The City shall provide to Petco the following recognitions, privileges, and accommodations:

3.1.1 The City will name its animal spay and neuter facility located at 210 Tuleta, San Antonio, Texas, 78212 Brackenridge, San Antonio, Texas, the “Petco Spay and Neuter Facility” in recognition of Petco’s financial contribution to City for said facility, as set out in Section 4.1 below. The City will further name the pavilion located at the facility the “Petco Pavilion” in further recognition of Petco’s contribution. The names of the facility and pavilion will remain in place for a period of ten years beginning upon the completion of construction and the beginning

of operations of the Spay and Neuter Facility and Pavilion, unless such facility ceases to be used as a spay and neuter facility prior to the end of this identified term. The name of the facility may also be changed upon subsequent written agreement of the parties. The specific names and details related to the display of such names (i.e. size, specific wording and construction of the signage) shall be mutually agreed upon by the parties.

3.1.2 The City shall host and participate in a presentation ceremony to be determined by Petco and the City during which Petco will present the initial contribution specified in Article IV to the City.

3.1.3 The City shall allow Petco to utilize the Facility for photo opportunities and small meetings upon advance written approval provided that such meetings do not unreasonably interfere with the on-going operations of the Facility.

3.1.4 The City will investigate the development of external promotional signage and the potential for exposure on City owned venues such as newsletters which will be set out in a subsequent written agreement, as necessary.

IV. OBLIGATIONS OF PETCO

4.1 Petco shall contribute an amount of \$500,000.00 to be paid in \$100,000.00 installments per year over five years. The funds shall be utilized by the City for programs to enhance animal welfare in San Antonio. Payments shall be made annually on February 1st beginning on February 1, 2012.

4.2 Petco will provide the City with 30 days advance notice with a request to utilize the Facility for photo opportunities and small meetings.

4.3 Petco will investigate the development of external promotional signage and the potential for exposure on City owned venues such as newsletters which will be set out in a subsequent written agreement, as necessary.

4.4 Petco agrees and understands that the use of the City name, trademark, service mark, logo or copyright in any press release, promotional material or advertisement must be approved by City prior to use, which approval shall not be unreasonably withheld, and that such use may be subject to reasonable conditions as the City may impose.

4.5 Petco agrees that it shall take no actions to intentionally discredit, dishonor, reflect adversely upon, or in any manner injure the reputation of the City or impair its goodwill.

V. RELATIONSHIP OF PARTIES

5.1 Nothing in this Agreement shall be construed or interpreted as creating a joint venture or legal partnership relationship between the parties. Except as expressly provided by this Agreement, neither party shall have, nor shall it hold itself out as having any right, power, or authority to create any contract or obligation, either express or implied, on behalf of, in the name of, or binding upon the other party, or to pledge the other party's credit or extend credit in the

other party's name, unless the other party consents thereto in advance in writing. Neither party shall disseminate any written or oral press releases, advertisements or other communications representing itself as an authorized representative of the other party. Except as expressly provided herein, neither party shall have the right to exercise any control whatsoever over the activities or operations of the other party.

VI. TERMINATION

6.1 Termination by the City. The City may terminate this Agreement immediately upon written notice to Petco in the event:

- (i) Petco fails to make any payment as set out within this Agreement; or
- (ii) by its actions or statements, Petco materially harms the reputation of the City, as determined by the City in its reasonable judgment; or
- (iii) any court, judicial body, or administrative agency makes a final determination that, following the Effective Date, Petco has violated any laws, ordinances, or governmental regulations pertaining to animal welfare, which violation constitutes abuse, mistreatment, or gross or repeated neglect of animals; or
- (iv) Petco files for bankruptcy, or sells, assigns or transfers the majority of its assets to another entity, or ceases to operate as an animal supply and services company.

6.2 Termination by Petco. Petco may terminate this Agreement immediately upon written notice to the City in the event:

- (i) by its actions or statements, the City materially harms the reputation of Petco, as determined by Petco in its reasonable judgment; or
- (ii) any court, judicial body, or administrative agency makes a final determination that, following the Effective Date, the City has violated any laws, ordinances, or governmental regulations pertaining to animal welfare, which violation constitutes abuse, mistreatment, or gross or repeated neglect of animals.

VII. NOTICE

7.1 Any notice or communication required or permitted hereunder shall be given in writing, sent by (a) personal delivery, or (b) expedited delivery service with proof of delivery, (c) United States mail, postage prepaid, registered or certified mail, or (d) via facsimile, telegram or e-mail, address as follows:

If to the City:
Joe Angelo

If to Petco:
General Counsel

Animal Care Services
4710 State Highway 151
San Antonio, TX 78227
Email: Joe.angelo@sanantonio.gov

Petco Law Department
9125 Rehco Road
San Diego, CA 92121
Fax: 626-287-0952

VIII. APPLICABLE LAW

8.1 THIS AGREEMENT SHALL BE CONSTRUED UNDER AND IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND ALL OBLIGATIONS OF THE PARTIES CREATED HEREUNDER ARE PERFORMABLE IN BEXAR COUNTY, TEXAS.

8.2 Any legal action or proceeding brought or maintained, directly or indirectly, as a result of this Agreement shall be heard and determined in the City of San Antonio, Bexar County, Texas.

IX. COMPLIANCE WITH LAWS

9.1 Each party will comply with all applicable federal, state and local laws, rules and regulations which may apply to the performance of their respective obligations under this MOU.

X. ASSIGNMENT

10.1 Any attempt to transfer, pledge or otherwise assign this Agreement without prior written approval, shall be void *ab initio* and shall confer no rights upon any third person. Should Petco assign, transfer, convey, delegate, or otherwise dispose of any part of all or any part of its right, title or interest in this Agreement, City may, at its option, cancel this Agreement and all rights, titles and interest of Petco shall thereupon cease and terminate, in accordance with Article VI. Termination, notwithstanding any other remedy available to City under this Agreement. The violation of this provision by Petco shall in no event release Petco from any obligation under the terms of this Agreement, nor shall it relieve or release Petco from the payment of any damages to City, which City sustains as a result of such violation.

XI. AMENDMENTS

9.1 Except where the terms of this Agreement expressly provide otherwise, any alterations, additions or deletions to the terms hereof, shall be effected by an amendment, in writing, executed by both City and Petco.

X. SEVERABILITY

10.1 If any clause or provision of this Agreement is held invalid, illegal or unenforceable under present or future federal, state or local laws, including but not limited to the City Charter, City Code, or ordinances of the City of San Antonio, Texas, then and in that event it is the intention of the parties hereto that such invalidity, illegality or unenforceability shall not affect any other clause or provision hereof and that the remainder of this Agreement shall be construed as if such invalid, illegal or unenforceable clause or provision was never contained herein; it is

also the intention of the parties hereto that in lieu of each clause or provision of this Agreement that is invalid, illegal, or unenforceable, there be added as a part of the Agreement a clause or provision as similar in terms to such invalid, illegal or unenforceable clause or provision as may be possible, legal, valid and enforceable.

XI. LEGAL AUTHORITY

11.1 The signer of this Agreement for Petco represents, warrants, assures and guarantees that he has full legal authority to execute this Agreement on behalf of Petco and to bind Petco to all of the terms, conditions, provisions and obligations herein contained.

XII. ENTIRE AGREEMENT

12.1 This Agreement, together with its authorizing ordinance and its exhibits, if any, constitute the final and entire Agreement between the parties hereto and contain all of the terms and conditions agreed upon. No other Agreements, oral or otherwise, regarding the subject matter of this Agreement shall be deemed to exist or to bind the parties hereto, unless same be in writing, dated subsequent to the date hereto, and duly executed by the parties, in accordance with this Agreement. This Agreement shall supersede any and all prior written and oral agreements between the City and Petco.

XIII. COUNTERPARTS

13.1 For convenience of the parties hereto, this Agreement may be executed in one or more counterparts, each of which shall be deemed an original for all purposes.

Petco Animal Supplies Stores, Inc.

The City of San Antonio

By:

Michael E. Foss

By:

Approved as to form:

City Attorney

FY 2012 BUDGET

ACS' DONATION FUND

REVENUES:

	IO	Fund	GL	BUDGET
Donation Revenue	237000000200	29636000	4502210 \$	100,000
Donation Revenue	237000000201	29636000	4502210 \$	100,000
Donation Revenue	237000000040	29636000	4502210 \$	60,000

TOTAL REVENUES

\$ 260,000.00

APPROPRIATIONS

	Cost Center	Fund	GL	Budget
Fees to Professional Contractors	3707010001	29636000	5201040 \$	100,000.00
Fees to Professional Contractors	3708010001	29636000	5201040 \$	50,000.00
Contractual Services	3708010001	29636000	5202020 \$	50,000.00
Tools & Apparatus	3706010001	29636000	5304050 \$	7,000.00
M&R Material/Bldg/Imp	3706010001	29636000	5301010 \$	46,000.00
Other Contractual Services	3706010001	29636000	5202025 \$	7,000.00

TOTAL APPROPRIATIONS

\$ 260,000.00

SAN ANTONIO ANIMAL CARE SERVICES: COUNCIL ITEM # 5 PETCO DONATIONS

JANUARY 19, 2012

Background

2

□ PETCO Foundation

- Foundation raises the quality of life for pets and people who love and need them
- Paul Jolly- Foundation Executive Director (since 1978)
- Focus on Four "R's" Philosophy
 - Reduce – number of animals euthanized each year
 - Rescue – think adoption first
 - Rehabilitate – provide funding to groups that offer behavior counseling and training
 - Rejoice – embrace the healing power of animals/human bond



□ PETCO Corporation

- Recently set up a facility in San Antonio
- Committed to adoption first philosophy, responsible pet ownership, and supporting animal welfare groups



Donation Details

3

□ PETCO Foundation

- \$500,000 to be paid in installments of \$100,000 over 5 years
- City will name the adoption facility the “Paul Jolly Center for Animal Adoptions” in recognition of the donation
- The name will remain as long as the facility remains an adoption facility



□ PETCO Corporation

- \$500,000 to be paid in installments of \$100,000 over 5 years
- City will name the spay/neuter facility, the “Petco Spay and Neuter Facility” in recognition of the donation
- The City will name the pavilion the “Petco Pavilion” in recognition of the donation
- These names will remain in place for a period of 10 years

Donation Usage

4

□ ACS will use \$200,000 received in FY 2012 from Donations for:

- \$100,000 to offset additional cost of High Volume Pet Partner (HVPP) Initiative
- \$50,000 for additional spay/neuter surgeries associated with anticipated increase in live outcome
- \$50,000 for additional HVPP as opportunity arises



**SAN ANTONIO
ANIMAL CARE SERVICES:
COUNCIL ITEM # 5
PETCO DONATIONS**

JANUARY 19, 2012